



# Office of the Legislative Auditor

State of Montana

Report to the Legislature

December 1992

## Financial Audit

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## Statewide Audit

Report on the Examination of the State of Montana  
General Purpose Financial Statements  
For the Fiscal Year Ended June 30, 1992

This report contains the audited general purpose financial  
statements for the State of Montana.

Direct comments/inquiries to:  
Office of the Legislative Auditor  
Room 135, State Capitol  
Helena, Montana 59620



## FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor  
Room 135, State Capitol  
Helena, MT 59620

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STATE OF MONTANA  
**Office of the Legislative Auditor**

STATE CAPITOL  
HELENA, MONTANA 59620  
406/444-3122

LEGISLATIVE AUDITOR:  
SCOTT A. SEACAT

LEGAL COUNSEL:  
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON  
Operations and EDP Audit

JAMES GILLET  
Financial-Compliance Audit

JIM PELLEGRINI  
Performance Audit

December 1992

The Legislative Audit Committee  
of the Montana State Legislature:

This audit report contains our independent auditor's report on the general purpose financial statements of the state of Montana for the fiscal year ended June 30, 1992. We performed the audit solely to express an opinion on the state's general purpose financial statements. Any findings disclosed by our audit were discussed with appropriate management personnel and will be appropriately reported as part of our scheduled biennial audits of state agencies.

We would like to thank the director of the Department of Administration and his staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", written over a horizontal line.

Scott A. Seacat  
Legislative Auditor



# **Office of the Legislative Auditor**

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## **Financial Audit**

**For the Fiscal Year Ended June 30, 1992**

## **Statewide Audit**

Audit staff involved in the Statewide Audit include: Ted Bigart, Pete Brustkern, Renee Foster, Scott Hoversland, Tori Hunthausen, GERALYN Hoffman, Charles V. Jensen, Emlyn Neuman-Javornik, Cindy S. Jorgenson, Bill Kuhl, Doug G. Melton, Charles Nemec, Paul J. O'Loughlin, Julie Quist, Vickie Rauser, Patti J. Robertson, and Catherine L. Scarff.



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## **Elected and Administrative Officials**

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### **State of Montana**

Stan Stephens, Governor

### **Department of Administration**

Robert L. Marks, Director

Connie L. Griffith, Administrator  
Accounting and Management Support Division

Terry L. Atwood, Chief  
Accounting Bureau



# Introduction

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## Introduction

We performed a financial audit of the state of Montana for the fiscal year ended June 30, 1992. The objective of the audit was to determine if the state's general purpose financial statements present fairly its financial position at June 30, 1992, and the results of its operations and its cash flows for the fiscal year then ended. Results of compliance testing are reported in the regularly scheduled biennial audits of each state agency.

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## Background

The state of Montana has published annual audited general purpose financial statements (GPFS) since fiscal year 1983-84. The general purpose financial statements are contained in the Montana Comprehensive Annual Financial Report (CAFR) prepared annually by the Accounting Bureau, Department of Administration.

Financial information in the GPFS is prepared from Montana's Statewide Budgeting and Accounting System (SBAS) with adjustments. SBAS is a centrally maintained, computerized accounting system. State law allows agencies to record encumbrances as expenditures and liabilities on the accounting records for budgetary control purposes. SBAS financial data included in the GPFS have been adjusted for encumbrances which are required by generally accepted accounting principles to be reported as a reservation of fund balance. In addition, SBAS amounts are adjusted to eliminate intrafund revenue and expenditure transactions and for accounting errors identified either by the Accounting Bureau or by audit.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Montana for its CAFR for the fiscal year ended June 30, 1991. This was the fifth consecutive year that Montana received this award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

## **Introduction**

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Department of Administration officials believe the current CAFR continues to conform to the Certificate of Achievement Program and the department expects to submit it to GFOA before December 31, 1992 to determine the state's eligibility for another certificate. The CAFR will be available for general distribution in January 1993.

# **Independent Auditor's Report & General Purpose Financial Statements**

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# Summary of Independent Auditor's Report

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## **Summary of Independent Auditor's Report**

The auditor's opinion issued on the general purpose financial statements contained in this report is intended to convey to the reader the degree of reliance which can be placed on the amounts presented. The reader may rely on the fairness of the amounts on the statements presented on pages 6 through 50 when analyzing the financial position and operations of the state of Montana.



LEGISLATIVE AUDITOR:  
SCOTT A. SEACAT

LEGAL COUNSEL:  
JOHN W. NORTHEY

STATE OF MONTANA  
**Office of the Legislative Auditor**

STATE CAPITOL  
HELENA, MONTANA 59620  
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DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON  
Operations and EDP Audit

JAMES GILLETT  
Financial-Compliance Audit

JIM PELLEGRINI  
Performance Audit

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying general purpose financial statements of the state of Montana, as of June 30, 1992, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the state of Montana management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Montana Board of Housing which statements reflect total assets, liabilities, revenues, and expenses of 66.2 percent, 41.4 percent, 17.1 percent, and 13.5 percent, respectively, of the related Enterprise Fund. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Montana Board of Housing is based solely on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the state of Montana, as of June 30, 1992, and the results of its operations and the cash flows of its proprietary and nonexpendable trust fund types for the year then ended in conformity with generally accepted accounting principles.

As discussed in note 3 to the financial statements, the state of Montana changed its basis of reporting revenues during fiscal year ended June 30, 1992.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Gillett".

James Gillett, CPA  
Deputy Legislative Auditor

November 6, 1992

STATE OF MONTANA  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 1992  
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	ENTERPRISE	INTERNAL SERVICE
<b>ASSETS/OTHER DEBITS</b>						
<b>Assets:</b>						
Cash/Cash Equivalents (Note 4)	\$ 13,312	\$ 183,398	\$ 27,515	\$ 9,082	\$ 124,207	\$ 13,748
Receivables (Net of Uncollectibles)	58,017	53,640	11,264	188	43,462	168
Interfund Loans Receivable (Note 14)	37,604	71,099	-	-	26	15
Due from Other Governments	37	89,413	-	-	-	48
Due from Other Funds (Note 14)	33,456	25,648	5,322	77	8,191	4,059
Inventories	2,805	18,546	-	-	9,451	1,317
Equity in Pooled Investments (Note 4)	-	-	-	-	-	-
Long-Term Loans/Notes Receivable	23	8,467	34,978	14	474,893	3
Advances to Other Funds (Note 14)	690	-	-	-	-	-
Investments (Note 4)	-	7,487	6,621	-	326,351	4,322
Deferred (Gains) Losses	-	-	-	-	-	-
Land	-	-	-	-	690	236
Buildings/Improvements	-	-	-	-	4,041	17
Equipment	-	-	-	-	5,910	103,774
Other Fixed Assets	-	-	-	-	5	3
Construction in Progress	-	-	-	-	7	1,384
Accumulated Depreciation	-	-	-	-	(4,607)	(55,274)
Intangible Assets	-	-	-	-	89	587
Deferred Charges	-	-	-	-	13,808	56
Other Assets	1,151	2,056	45	11	11,291	232
<b>Other Debits:</b>						
Amount Available - Debt Service Funds	-	-	-	-	-	-
Amount to be Provided from Long-Term Loans	-	-	-	-	-	-
Resources to be Provided in Future Years	-	-	-	-	-	-
<b>TOTAL ASSETS/OTHER DEBITS</b>	<b>\$ 147,095</b>	<b>\$ 459,754</b>	<b>\$ 85,743</b>	<b>\$ 9,372</b>	<b>\$ 1,017,815</b>	<b>\$ 74,695</b>
<b>LIABILITIES/EQUITY/OTHER CREDITS</b>						
<b>Liabilities:</b>						
Accounts Payable	\$ 41,822	\$ 89,638	\$ 2,781	\$ 448	\$ 12,473	\$ 2,204
Lottery Prizes Payable	-	-	-	-	1,029	-
Interfund Loans Payable (Note 14)	46,000	62,627	21	134	-	332
Advances from Other Funds (Note 14)	-	515	-	-	175	-
Due to Other Governments	1	4,139	-	-	6	-
Due to Other Funds (Note 14)	14,799	31,521	711	10	11,089	1,819
Deferred Revenue	14,331	32,041	1,151	10	3,372	403
Installment Purch/Lease Payable (Note 12)	-	-	-	-	2	4,887
Bonds/Notes Payable (Net) (Note 13)	-	-	-	-	781,252	2,090
Property Held in Trust	138	1,786	-	9	19,049	68
Compensated Absences Payable (Note 1)	-	-	-	-	1,185	1,952
Estimated Claims (Notes 7/10)	-	-	-	-	629,125	15,102
Arbitrage Rebate Tax Payable	-	-	-	-	350	-
Other Liabilities	1	-	-	-	35	-
<b>Total Liabilities</b>	<b>117,092</b>	<b>222,267</b>	<b>4,664</b>	<b>611</b>	<b>1,459,142</b>	<b>28,857</b>
<b>Equity/Other Credits:</b>						
Investment in General Fixed/Plant Assets	-	-	-	-	-	-
Contributed Capital (Note 18)	-	-	-	-	14,983	4,925
<b>Retained Earnings:</b>						
Reserved (Note 16)	-	-	-	-	79,372	-
Unreserved	-	-	-	-	(535,682)	40,913
<b>Fund Balances:</b>						
Reserved for Encumbrances	1,999	17,122	-	4	-	-
Reserved for Inventories	2,805	18,546	-	-	-	-
Reserved for Advances to Other Funds (Note 14)	690	-	-	-	-	-
Reserved for Long-Term Loans	23	8,467	34,978	14	-	-
Reserved for Debt Service	-	-	46,103	-	-	-
Reserved for Trusts/Endowments (Note 16)	-	3,641	-	-	-	-
Reserved for Retirement Systems	-	-	-	-	-	-
Unreserved, undesignated (Note 3)	24,486	189,711	-	8,743	-	-
<b>Total Equity/Other Credits</b>	<b>30,003</b>	<b>237,487</b>	<b>81,079</b>	<b>8,761</b>	<b>(441,327)</b>	<b>45,838</b>
<b>TOTAL LIABILITIES/EQUITY/OTHER CREDITS</b>	<b>\$ 147,095</b>	<b>\$ 459,754</b>	<b>\$ 85,743</b>	<b>\$ 9,372</b>	<b>\$ 1,017,815</b>	<b>\$ 74,695</b>

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPES	ACCOUNT GROUPS		HIGHER EDUCATION FUNDS	TOTALS - JUNE 30 (MEMORANDUM ONLY)	
	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	1992	1991
\$ 667,305	\$ -	\$ -	\$ 58,458	\$ 1,097,025	\$ 1,164,120
64,595	-	-	32,273	263,607	220,942
370	-	-	1,050	110,164	103,881
472	-	-	1,535	91,505	97,210
31,093	-	-	11,268	119,114	123,488
-	-	-	4,229	36,348	35,725
483,127	-	-	332	483,459	315,233
49,900	-	-	23	568,299	570,408
-	-	-	-	690	-
2,337,747	-	-	12,735	2,695,263	2,396,379
6,000	-	-	-	6,000	10,788
49,459	52,642	-	11,226	114,253	114,069
355	231,976	-	281,843	518,232	510,229
203	85,200	-	96,816	291,903	273,532
-	43,693	-	69,966	103,667	100,079
-	5,253	-	3,178	9,822	9,994
(305)	-	-	-	(60,186)	(53,116)
3	-	-	1,888	2,567	2,234
-	-	-	-	13,864	10,014
43,619	-	-	3,375	61,780	45,137
-	-	46,104	-	46,104	37,063
-	-	34,976	-	34,976	29,314
-	-	219,332	-	219,332	243,698
\$ 3,733,943	\$ 418,764	\$ 300,412	\$ 580,195	\$ 6,827,788	\$ 6,360,421
\$ 11,848	\$ -	\$ -	\$ 22,622	\$ 183,836	\$ 143,962
-	-	-	-	1,029	444
-	-	-	1,050	110,164	103,881
-	-	-	-	690	-
261,059	-	-	148	265,353	232,405
48,229	-	-	10,936	119,114	123,488
277	-	-	7,305	58,690	46,458
-	-	2,720	3,780	11,389	10,688
-	-	265,599	77,141	1,126,082	1,022,405
377,148	-	-	3,191	401,387	373,273
66	-	32,072	19,066	54,341	48,765
-	-	-	-	644,227	536,632
-	-	21	-	371	3,215
2,634	-	-	-	2,670	2,240
701,259	-	300,412	145,239	2,979,543	2,647,856
-	418,764	-	373,038	791,802	763,854
-	-	-	-	19,908	17,649
-	-	-	-	79,372	80,250
-	-	-	-	(494,769)	(403,236)
-	-	-	1,349	20,474	26,386
-	-	-	-	21,351	21,019
-	-	-	-	690	-
2,273	-	-	-	45,753	39,688
-	-	-	17,366	63,469	54,016
900,989	-	-	25,001	929,631	891,720
2,039,620	-	-	-	2,039,620	1,855,854
89,802	-	-	18,202	330,944	365,365
3,032,684	418,764	-	434,856	3,648,245	3,712,565
\$ 3,733,943	\$ 418,764	\$ 300,412	\$ 580,195	\$ 6,827,788	\$ 6,360,421

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## STATE OF MONTANA

## Combined Statement of Revenues, Expenditures and Changes in Fund Balances

## All Governmental Fund Types and Expendable Trust Funds

For the Fiscal Year Ended June 30, 1992

(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY) YEAR ENDED JUNE 30	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS		1992	1991
REVENUES:							
Licenses/Permits	\$ 22,669	\$ 60,076	\$ -	\$ -	\$ -	\$ 82,744	\$ 74,152
Taxes:							
Gas/Oil/Coal Production	26,440	49,220	21,476	-	-	97,136	112,378
Individual Income	175,867	81,618	24,536	-	-	282,021	282,961
Corporate Income	32,052	20,113	6,517	-	-	57,682	74,320
Other (Note 1)	67,928	342,848	9,743	3,659	-	414,078	394,398
Charges for Services/Fees/Forfeits	21,429	30,719	240	139	18	52,645	43,679
Investment Earnings	18,400	4,809	3,105	477	7,600	32,351	39,684
Sale of Documents/Mdse./Property	160	18,232	1,699	-	-	18,091	17,148
Rentals/Leases/Royalties	197	200	-	-	-	397	528
Contributions/Premiums	-	3,355	-	-	38,411	41,766	43,308
Grants/Contracts/Donations	-	3,610	-	1	63	3,674	7,028
Federal	199	564,748	100	-	14,603	569,650	535,320
Federal Indirect Cost Recoveries	338	1,400	-	-	-	1,738	1,823
Other Revenues	492	1,850	816	35	-	2,792	2,367
Total Revenues	354,171	1,200,597	67,030	4,211	60,655	1,686,664	1,628,992
Intrafund Revenues	(25)	(10,201)	(17)	-	-	(10,243)	(46,097)
Net Revenues	354,146	1,190,396	67,013	4,211	60,655	1,676,421	1,582,895
EXPENDITURES:							
Current:							
General Government	60,103	56,991	12	8	-	117,114	111,670
Public Safety/Corrections	47,923	52,941	-	-	-	100,864	87,121
Transportation	449	285,199	2,120	-	49	287,817	281,000
Health/Social Services	176,940	362,112	-	-	-	539,052	482,884
Education/Cultural	61,128	364,052	-	-	59	445,239	441,409
Resource Development/Recreation	18,833	52,627	273	58	-	71,791	63,426
Economic Development/Assistance	3,691	78,307	-	-	54,829	134,827	133,715
Debt Service:							
Principal Retirement	871	39	33,434	-	-	34,344	13,244
Interest/Fiscal Charges	2,789	366	19,888	1	-	23,042	21,111
Capital Outlay	4,856	18,681	-	4,398	3	26,938	24,256
Total Expenditures	377,583	1,287,315	55,725	4,465	54,940	1,789,028	1,659,078
Intrafund Expenditures	(25)	(10,201)	(17)	-	-	(10,243)	(46,097)
Net Expenditures	377,558	1,277,114	55,708	4,465	54,940	1,769,785	1,613,679
Excess of Revenues Over (Under) Expenditures	(23,412)	(86,718)	11,305	(254)	5,715	(93,364)	(30,784)
OTHER FINANCING SOURCES (USES):							
Loan Proceeds	-	1,275	-	-	-	1,275	118
Bond Proceeds	169	-	-	-	-	169	3,345
Proceeds of Refunding Bonds	-	21,735	-	-	-	21,735	9,625
Payments to Refunded Bond Escrow Agent	-	-	-	-	-	-	(9,625)
Inception of Lease/Installment Contract	1,149	136	-	-	-	1,285	624
General Fixed Asset Sale Proceeds	38	40	-	-	-	78	155
Operating Transfers In (Note 14)	96,167	90,753	49,900	881	11	237,712	199,481
Operating Transfers Out (Note 14)	(144,457)	(67,034)	(63,192)	(1,846)	(6)	(276,535)	(235,256)
Total Other Financing Sources (Uses)	(46,934)	48,905	(13,292)	(965)	6	(14,281)	(31,533)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses	(70,346)	(38,813)	(1,967)	(1,219)	5,720	(107,845)	(62,317)
Cur Eff of Chg in Acctg Prin. (Note 3)	30,885	35,318	3,535	-	-	69,738	-
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses After Cumulative Effect	(39,461)	(4,495)	1,568	(1,219)	5,720	(37,907)	(62,317)
FUND BALANCES - JULY 1 -							
As Previously Reported	64,081	250,532	66,378	8,961	88,620	478,592	550,839
Prior Period Adjustments (Note 3)	1,860	908	6,164	1,000	(265)	9,667	(11,779)
FUND BALANCES - July 1 - As Restated	65,941	251,440	72,542	9,961	88,355	488,259	539,060
Increase (Decrease) in Inventories	(357)	690	-	-	-	333	(160)
Residual Equity Transfers (Note 14)	3,880	(10,148)	8,969	(1)	-	720	-
FUND BALANCES - JUNE 30	\$ 30,003	\$ 237,487	\$ 81,079	\$ 8,781	\$ 92,075	\$ 449,405	\$ 478,593

The notes to the financial statements are an integral part of this statement.

## STATE OF MONTANA

Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses) and  
 Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis - Unreserved Fund Balance  
 General and Special Revenue Fund Types  
 For the Fiscal Year Ended June 30, 1992  
 (Expressed in Thousands)

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES:						
Licenses/Permits	\$ 21,256	\$ 22,669	\$ 1,413	\$ 58,038	\$ 60,076	\$ 2,037
Taxes:						
Gas/Oil/Coal Production	24,832	26,440	1,608	51,023	49,220	(1,803)
Individual Income	212,563	175,867	(36,696)	96,486	81,618	(14,868)
Corporate Income	31,440	32,052	612	19,567	20,113	546
Other Taxes	51,329	57,928	6,599	332,624	342,848	10,224
Charges for Services/Fines/Forfeits	20,741	21,429	688	36,079	30,719	(5,360)
Investment Earnings	18,153	16,400	(1,753)	4,649	4,809	160
Sale of Documents/Merchandise/Property	112	180	68	19,905	18,232	(3,673)
Rentals/Leases/Royalties	103	197	94	245	200	(45)
Contributions/Premiums	-	-	-	4,063	3,355	(708)
Grants/Contracts/Donations	-	-	-	8,892	3,810	(3,282)
Federal	450	199	(251)	656,578	584,748	(71,830)
Federal Indirect Cost Recoveries	180	338	158	1,475	1,400	(75)
Other Revenues	427	492	65	1,287	1,650	363
Total Revenues	381,586	354,171	(27,415)	1,288,921	1,200,597	(88,324)
EXPENDITURES:						
Current:						
General Government	64,737	60,115	4,622	98,558	57,268	41,270
Public Safety/Corrections	49,614	48,002	1,612	57,841	52,766	5,073
Transportation	1,461	474	987	305,949	287,166	18,783
Health/Social Services	179,326	176,834	2,492	391,353	363,660	27,693
Education/Cultural	64,617	81,169	3,448	396,801	384,196	12,605
Resource Development/Recreation	19,132	18,902	230	92,300	49,940	42,360
Economic Development/Assistance	3,721	3,631	90	94,940	76,189	18,751
Debt Service:						
Principal Retirement	871	871	-	44	44	-
Interest/Fiscal Charges	2,789	2,789	-	367	367	-
Capital Outlay	3,708	3,910	(202)	16,133	16,196	(62)
Total Expenditures	389,976	376,697	13,279	1,453,286	1,286,813	166,473
Excess of Revenues Over (Under) Expenditures	(8,390)	(22,526)	(14,136)	(164,365)	(86,216)	78,149
OTHER FINANCING SOURCES (USES):						
Loan Proceeds	-	-	-	2,776	1,276	(1,500)
Bond Proceeds	169	169	-	-	-	-
General Fixed Asset Sale Proceeds	81	38	(43)	17	40	23
Operating Transfers In	103,204	96,152	(7,052)	127,177	101,164	(26,013)
Operating Transfers Out	(158,155)	(144,848)	13,307	(88,971)	(80,299)	8,672
Total Other Financing Sources (Uses)	(54,701)	(48,289)	6,412	40,966	22,160	(18,816)
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis)	(63,091)	(70,815)	(7,724)	(123,367)	(64,036)	59,331
RECONCILIATION OF BUDGETARY/GAAP REPORTING:						
1. Adjust expenditures for encumbrances.	-	(658)	(658)	-	(6,486)	(6,486)
2. Adjustments for appropriated loans/ other nonbudgeted activity.	-	1,129	1,129	-	30,666	30,666
Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis)	(63,091)	(70,344)	(7,253)	(123,367)	(39,816)	83,551
UNRESERVED FUND BALANCES - JULY 1	58,700	58,700	-	198,611	198,611	-
Residual Equity Transfers	3,860	3,880	-	14,852	(10,148)	(25,000)
Prior Period Adjustments	-	1,860	1,860	-	908	908
Cum Effect of Acctg Change	-	30,885	30,885	-	35,318	35,318
Decrease (Increase):						
Encumbrances Reserve	-	218	218	-	5,723	5,723
Advances to Other Funds Reserve	-	(690)	(690)	-	-	-
Long-Term Loans Reserve	-	(23)	(23)	-	(492)	(492)
Trusts/Endowments Reserve	-	-	-	-	(293)	(293)
UNRESERVED FUND BALANCES - JUNE 30	\$ (511)	\$ 24,488	\$ 24,997	\$ 89,996	\$ 189,711	\$ 99,716

The notes to the financial statements are an integral part of this statement.

(Continued on Next Page)

## STATE OF MONTANA

Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses) and  
 Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis - Unreserved Fund Balance - Continued  
 General and Special Revenue Fund Types  
 For the Fiscal Year Ended June 30, 1992  
 (Expressed in Thousands)

	TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
<b>REVENUES:</b>			
Licenses/Permits	\$ 79,294	\$ 82,744	\$ 3,450
<b>Taxes:</b>			
Gas/Oil/Coal Production	75,855	75,660	(195)
Individual Income	309,029	267,485	(51,544)
Corporate Income	61,037	62,165	1,128
Other Taxes	383,953	400,778	18,823
Charges for Services/Fines/Forfeits	56,820	62,148	(4,872)
Investment Earnings	22,802	21,209	(1,593)
Sale of Documents/Merchandise/Property	20,017	18,392	(3,825)
Rentals/Leases/Royalties	348	397	49
Contributions/Premiums	4,063	3,355	(708)
Grants/Contracts/Donations	8,892	3,810	(3,282)
Federal	657,028	664,947	(72,081)
Federal Indirect Cost Recoveries	1,855	1,738	83
Other Revenues	1,714	2,142	428
<b>Total Revenues</b>	<b>1,870,507</b>	<b>1,554,768</b>	<b>(115,739)</b>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
General Government	183,295	117,403	45,892
Public Safety/Corrections	107,455	100,770	8,685
Transportation	307,410	287,640	19,770
Health/Social Services	570,679	540,494	30,185
Education/Cultural	481,418	445,365	18,053
Resource Development/Recreation	111,432	88,842	42,590
Economic Development/Assistance	98,681	79,820	18,841
<b>Debt Service:</b>			
Principal Retirement	915	915	-
Interest/Fiscal Charges	3,156	3,156	-
Capital Outlay	18,841	19,105	(264)
<b>Total Expenditures</b>	<b>1,843,262</b>	<b>1,663,510</b>	<b>179,752</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(172,755)</b>	<b>(108,742)</b>	<b>64,013</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Loan Proceeds	2,775	1,275	(1,500)
Bond Proceeds	169	169	-
General Fixed Asset Sale Proceeds	98	75	(20)
Operating Transfers In	230,381	197,318	(33,065)
Operating Transfers Out	(247,126)	(224,947)	22,179
<b>Total Other Financing Sources (Uses)</b>	<b>(13,703)</b>	<b>(26,109)</b>	<b>(12,406)</b>
<b>Excess of Revenue/Other Sources Over (Under) Expenditures/Other Uses (Budgetary Basis)</b>	<b>(188,458)</b>	<b>(134,851)</b>	<b>51,807</b>
<b>RECONCILIATION OF BUDGETARY/GAAP REPORTING:</b>			
1. Adjust expenditures for encumbrances.	-	(7,124)	(7,124)
2. Adjustments for appropriated loans/ other nonbudgeted activity.	-	31,815	31,815
<b>Excess of Revenue/Other Sources Over (Under) Expenditures/Other Uses (GAAP Basis)</b>	<b>(188,458)</b>	<b>(110,160)</b>	<b>78,298</b>
<b>UNRESERVED FUND BALANCES - JULY 1</b>	<b>257,211</b>	<b>257,211</b>	<b>-</b>
Residual Equity Transfers	18,732	(8,268)	(25,000)
Prior Period Adjustments	-	2,768	2,768
Cum Effect of Acctg Change	-	66,203	66,203
<b>Decrease (Increase):</b>			
Encumbrances Reserve	-	5,941	5,941
Advances to Other Funds Reserve	-	(690)	(690)
Long-Term Loans Reserve	-	(515)	(515)
Trusts/Endowments Reserve	-	(293)	(293)
<b>UNRESERVED FUND BALANCES - JUNE 30</b>	<b>\$ 89,485</b>	<b>\$ 214,197</b>	<b>\$ 124,712</b>

The notes to the financial statements are an integral part of this statement.

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## STATE OF MONTANA

## Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances

## All Proprietary Fund Types and Similar Trust Funds

For the Fiscal Year Ended June 30, 1992

(Expressed In Thousands)

	PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPES		TOTALS (MEMORANDUM ONLY) YEAR ENDED JUNE 30	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	PENSION TRUST	1992	1991
OPERATING REVENUES:						
Charges for Services	\$ 73,299	\$ 55,480	\$ 7,150	\$ -	\$ 135,929	\$ 164,000
Investment Earnings	73,266	530	86,428	171,364	331,588	312,090
Contributions/Premiums	172,821	3,981	-	158,891	335,693	262,818
Taxes	9,970	-	5,630	-	15,600	15,100
Rentals/Leases/Royalties	-	-	20,125	-	20,125	20,141
Grants/Contracts/Donations	-	-	914	-	914	889
Other Operating Revenues	2,042	301	14	37	2,394	502
Total Operating Revenues	331,398	60,292	120,261	330,292	842,243	765,320
Intrafund Revenues	(21)	(7)	-	(17)	(45)	(295)
Net Operating Revenues	331,377	60,285	120,261	330,275	842,198	765,025
OPERATING EXPENSES:						
Personal Services	14,254	18,447	-	822	33,523	29,211
Contractual Services	13,824	5,224	-	692	19,740	18,296
Supplies/Materials	29,383	11,189	-	27	40,599	39,202
Expendable Equipment	252	1,365	-	1	1,818	86
Benefits	255,048	15,623	-	135,318	405,987	518,828
Refunds	-	-	-	12,285	12,285	14,914
Depreciation	695	9,488	-	26	10,209	8,522
Amortization	131	387	-	4	522	449
Utilities/Rent	1,096	3,203	-	67	4,366	4,223
Communication	1,518	7,988	-	90	9,592	9,113
Travel	384	307	-	25	716	806
Repair/Maintenance	589	3,477	-	12	4,078	4,096
Grants	-	-	20	-	20	-
Lottery Prize Payments	13,550	-	-	-	13,550	11,659
Interest Expense	63,758	536	-	-	64,294	55,458
Arbitrage Rebate Tax	72	-	-	-	72	75
Other Operating Expenses	2,357	605	10	119	3,091	1,906
Total Operating Expenses	396,907	77,837	30	149,488	624,262	714,624
Intrafund Expenses	(21)	(7)	-	(17)	(45)	(295)
Net Operating Expenses	396,886	77,830	30	149,471	624,217	714,329
Operating Income (Loss)	(65,509)	(17,545)	120,231	180,804	217,981	60,696
NONOPERATING REVENUES (EXPENSES):						
Gain (Loss) Sale of Fixed Assets	(18)	(159)	-	-	(177)	7
Increase (Decrease) Value of Livestock	(539)	-	-	-	(539)	101
Federal Indirect Cost Recoveries	-	8,454	-	-	8,454	4,588
Total Nonoperating Revenues (Expenses)	(557)	8,295	-	-	5,738	4,696
Income (Loss) Before Operating Transfers	(66,066)	(11,250)	120,231	180,804	223,719	55,392
Operating Transfers In (Note 14)	12,711	743	17,240	3,178	33,870	39,020
Operating Transfers Out (Note 14)	(25,517)	-	(101,742)	-	(127,259)	(121,604)
Net Income (Loss)	(78,872)	(10,507)	35,729	183,980	130,330	(27,192)
RETAINED EARNINGS/FUND BALANCES - July 1						
As Previously Reported	(378,330)	53,343	865,342	1,855,654	2,398,009	2,428,462
Prior Period Adjustments (Note 3)	(1,108)	175	228	(14)	(719)	7,948
RETAINED EARNINGS/FUND BALANCES - July 1 - As Restated	(377,438)	53,518	865,570	1,855,640	2,397,290	2,436,408
Residual Equity Transfers (Note 14)	-	(2,098)	(310)	-	(2,408)	(11,206)
RETAINED EARNINGS/FUND BALANCES - JUNE 30	\$ (456,310)	\$ 40,913	\$ 900,989	\$ 2,039,620	\$ 2,525,212	\$ 2,398,010

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA  
Combined Statement of Cash Flows  
All Proprietary Fund Types and Nonexpendable Trust Funds  
June 30, 1992  
(Expressed in Thousands)

	PROPRIETARY FUND TYPES			TOTALS (MEMORANDUM ONLY) YEAR ENDED JUNE 30	
	ENTERPRISE	INTERNAL SERVICE	NONEXPENDABLE TRUST	1992	1991
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts for Sales and Services	\$ 245,905	\$ 59,608	\$ 7,031	\$ 312,544	\$ 272,757
Collections for Principal And Interest on Loans	132,870	-	-	132,870	89,531
Cash Payments for Loans	(75,002)	-	-	(75,002)	(81,684)
Payments to Suppliers for Goods and Services	(51,602)	(33,031)	-	(84,633)	(70,672)
Payments to Employee	(13,902)	(18,095)	-	(31,997)	(28,077)
Payments for Services Fees	-	-	-	-	(1,661)
Grant Receipts	-	6,212	-	6,212	4,660
Cash Payments for Claims	(159,932)	(2,855)	-	(162,787)	(160,836)
Collections of Notes Receivable	135	-	-	135	771
Cash Payments for Prizes	(13,484)	-	-	(13,484)	(11,980)
Transfers from Other Funds	-	332	-	332	117
Donations Received	-	-	786	786	869
Scholarship/Fellowship Payments	-	-	(10)	(10)	(4)
Other Operating Revenues	176	301	14	491	354
Net Cash Provided by (Used for) Operating Activities	65,164	12,472	7,821	85,457	14,145
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Payment of Principal and Interest on Bonds and Notes	(112,581)	-	-	(112,581)	(129,705)
Proceeds from Issuance of Bonds and Notes	207,683	-	-	207,683	120,723
Payment of Bond Issuance Costs	(4,876)	-	-	(4,876)	(906)
Collection of Taxes	9,970	-	5,596	15,566	15,095
Transfers to Other Funds	(23,888)	-	(116,484)	(140,372)	(121,674)
Transfers from Other Funds	13,909	451	27,182	41,542	34,752
Cash Payments for Loans	(46,000)	-	-	(46,000)	(32,000)
Collections for Principal And Interest on Loans	39,306	-	-	39,306	-
Proceeds from Interfund Loans	190	120	-	310	187
Interfund Loan Payments	(41)	(167)	-	(208)	(231)
Residual Equity Transfers to Other Funds	-	(794)	(1,313)	(2,107)	(5,056)
Residual Equity Transfers from Other Funds	-	-	902	902	-
Contributed Capital Transfers from Other Funds	26	139	-	165	5,056
Net Cash Provided by (Used for) Noncapital Financing Activities	83,698	(251)	(84,117)	(670)	(113,759)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Acquisition of Fixed Assets	(735)	(6,786)	-	(7,521)	(10,441)
Proceeds from Sale of Fixed Assets	165	1,016	-	1,181	2,246
Transfers From Other Funds	-	-	-	-	78
Principal and Interest Payments on Bonds and Notes	(71)	(4,318)	-	(4,389)	(4,008)
Net Cash Used for Capital and Related Financing Activities	(641)	(10,088)	-	(10,729)	(12,125)
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>					
Purchase of Investments	(732,726)	(1,001)	(269,916)	(1,003,643)	(561,313)
Proceeds from Sales or Maturities of Investments	610,212	1,352	219,554	831,118	565,519
Interest and Dividends on Investments	31,774	561	82,536	114,871	107,873
Collections for Principal and Interest on Loans	-	-	13,212	13,212	7,704
Cash Payments for Loans	-	-	(18,590)	(18,590)	(6,972)
Collection of Rents/Leases/Royalties	-	-	20,232	20,232	20,147
Net Cash Provided by (Used for) Investing Activities	(90,740)	912	47,028	(42,800)	132,958
Net Increase (Decrease) in Cash and Cash Equivalents	57,481	3,045	(29,268)	31,258	21,219
Cash and Cash Equivalents, July 1	66,726	10,703	106,507	183,936	162,724
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ 124,207</b>	<b>\$ 13,748</b>	<b>\$ 77,239</b>	<b>\$ 215,194</b>	<b>\$ 183,943</b>

The notes to the financial statements are an integral part of this statement.



	PROPRIETARY FUND TYPES		NONEXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY) YEAR ENDED JUNE 30	
	ENTERPRISE	INTERNAL SERVICE		1992	1991
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ (65,509)	(17,545)	120,231	37,177	(116,067)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Depreciation	695	9,488	-	10,183	8,498
Amortization	5,405	388	-	5,793	5,821
Taxes	(9,970)	-	(5,630)	(15,600)	(15,100)
Interest on Bonds and Notes	45,430	-	-	45,430	44,938
Interest on Investments	(30,993)	(530)	(86,429)	(117,952)	(110,246)
Federal Indirect Cost Recoveries	-	6,454	-	6,454	4,588
Interest Expense	13,128	534	-	13,662	5,218
Operating Transfers in	-	109	-	109	341
Rentals/Leases/Royalties	-	-	(20,125)	(20,125)	(20,141)
Change in Assets and Liabilities:					
Decr (Incr) in Accounts Receivable	(4,080)	1	-	(4,079)	(1,311)
Decr (Incr) in Due From Other Governments	-	(23)	-	(23)	7
Decr (Incr) in Due From Other Funds	(373)	451	(246)	(168)	10,288
Decr (Incr) in Inventories	(1,124)	32	-	(1,092)	4,658
Decr (Incr) in Long-term Loans/Notes Receivable	15,854	-	-	15,854	(33,909)
Decr (Incr) in Other Assets	(1,441)	11	-	(1,430)	(770)
Incr (Decr) in Accounts Payable	(144)	(65)	-	(209)	588
Incr (Decr) in Lottery Prizes Payable	585	-	-	585	(202)
Incr (Decr) in Due to Other Governments	6	-	-	6	-
Incr (Decr) in Due to Other Funds	2,261	323	20	2,604	(6,544)
Incr (Decr) in Deferred Revenue	(602)	(130)	-	(732)	(1,014)
Incr (Decr) in Property Held in Trust	1,593	9	-	1,602	774
Incr (Decr) in Other Liabilities	35	-	-	35	-
Incr (Decr) in Compensated Absences Payable	168	199	-	367	203
Incr (Decr) in Estimated Claims	94,240	12,766	-	107,006	233,527
Net Cash Provided by (Used For) Operating Activities	\$ 65,164	\$ 12,472	\$ 7,821	\$ 85,457	\$ 14,145
SCHEDULE OF NONCASH TRANSACTIONS:					
Fixed Asset Acquisitions from Capital Leases	\$ -	\$ 1,938	\$ -	\$ 1,938	\$ 2,078
Asset Acquisitions from Contributed Capital Transfers from Other Funds	7	236	-	243	173
Total Noncash Transactions	\$ 7	\$ 2,174	\$ -	\$ 2,181	\$ 2,251

STATE OF MONTANA  
Statement of Changes in Fund Balance  
All Higher Education Funds  
For the Fiscal Year Ended June 30, 1992  
(Expressed in Thousands)

CURRENT FUNDS				
UNRESTRICTED				
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED
REVENUES/OTHER ADDITIONS:				
Tuition/Fees	\$ 40,161	\$ 5,466	\$ 6,530	\$ 13
Federal Grants/Contracts	4,116	35	-	47,623
State Grants/Contracts	-	344	-	4,338
Local Grants/Contracts	-	-	-	291
Private Gifts/Grants/Donations	-	306	-	9,136
Endowment Income	-	-	-	6
Sales/Services-Educational Activities	947	1,203	1	96
Sales/Services-Designated/Auxiliary Enterprises	6	11,728	37,424	141
Indirect Costs Recovered	139	4,366	-	-
Investment Earnings	88	85	488	196
Acquisition of Long-Lived Assets	-	-	-	-
Retirement of Indebtedness	-	-	-	-
Other Revenues/Additions	237	1,480	329	93
Total Revenues/Other Additions	45,691	25,013	44,772	61,831
Intrafund Revenues/Other Additions	(60)	-	-	(63)
Net Revenues/Other Additions	45,631	25,013	44,772	61,768
EXPENDITURES/OTHER DEDUCTIONS:				
Instruction	81,583	3,197	-	4,600
Research	11,104	2,498	-	19,762
Public Service	6,455	3,092	-	7,294
Academic Support	14,404	812	-	1,429
Student Services	16,290	7,317	-	2,858
Institutional Support	16,961	758	-	251
Independent Operations	1,272	-	-	-
Scholarships/Fellowships	3,813	1	-	23,862
Auxiliary Enterprises	-	10	37,934	82
Operation/Maintenance of Plant	19,710	26	-	125
Expended for Plant	-	6	-	-
Debt Service	260	211	86	212
Capital Outlay	6,337	2,120	179	3,459
Disposal of Long-Lived Assets	-	-	-	-
Debt Incurred	-	-	-	-
Other Expenditures/Deductions	608	271	79	-
Total Expenditures/Other Deductions	175,797	20,119	38,278	63,734
Intrafund Expenditures/Other Deductions	(60)	-	-	(63)
Net Expenditures/Other Deductions	175,737	20,119	38,278	63,671
TRANSFERS IN (OUT)/OTHER ADDITIONS (DEDUCTIONS):				
Transfers from State General Fund	116,997	-	-	-
Millage Transfers	12,852	-	-	-
Mandatory Transfers	-	(903)	(5,785)	1
Nonmandatory Transfers	305	(725)	(411)	164
Total Transfers In (Out) (Note 14)	130,154	(1,628)	(6,176)	165
Move Equity to Investment in Plant	-	-	-	-
Loan Proceeds	-	-	2	-
Total Transfers In (Out)/Other Additions (Deductions)	130,154	(1,628)	(6,174)	165
Net Increase (Decrease) in Fund Balances	48	3,268	320	(1,748)
FUND BALANCES - July 1 - As Previously Reported	(11,795)	8,681	7,179	4,542
Prior Period Adjustments (Note 3)	(13)	69	-	(56)
FUND BALANCES - July 1 - As Restated	(11,808)	8,750	7,179	4,487
FUND BALANCES - June 30	\$ (11,760)	\$ 10,016	\$ 7,499	\$ 2,739

The notes to the financial statements are an integral part of this statement.



FIDUCIARY FUNDS				PLANT FUNDS				TOTALS YEAR ENDED JUNE 30	
STUDENT LOANS	ENDOWMENTS	UNEXPENDED	RENEWAL AND REPLACEMENT	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT			1992	1991
\$ -	\$ -	\$ 2,027	\$ 867	\$ 2,111	\$ -	\$ 57,166	\$ 49,493		
732	-	-	14	23	-	52,442	45,180		
51	-	-	10	-	-	4,743	4,485		
-	-	-	-	-	-	291	437		
21	8	-	15	-	-	9,483	12,112		
-	-	-	-	-	-	8	7		
-	-	-	-	-	-	2,248	2,208		
-	-	5	14	-	-	49,315	46,603		
-	-	-	-	-	-	4,526	1,156		
431	2	176	270	1,245	-	2,959	3,455		
-	-	-	-	-	24,574	24,574	29,786		
-	-	-	-	-	4,469	4,469	5,134		
323	-	141	155	875	-	3,633	8,781		
1,568	8	2,349	1,335	4,254	29,043	215,854	208,800		
-	-	(16)	-	-	-	(139)	(77)		
1,558	8	2,333	1,335	4,254	29,043	215,715	208,723		
-	-	31	-	-	-	89,411	79,365		
-	-	-	-	-	-	33,364	26,976		
-	-	-	-	-	-	15,541	10,538		
-	-	-	-	-	-	18,445	18,107		
9	-	-	-	-	-	25,274	19,784		
-	-	-	-	-	-	17,970	20,693		
-	-	-	-	-	-	1,272	1,279		
-	-	-	-	-	-	27,676	26,049		
-	-	-	-	-	-	38,026	35,914		
-	-	-	-	-	-	19,881	20,977		
-	-	726	2,685	10	-	3,427	3,021		
-	-	277	54	8,748	-	9,676	11,360		
-	-	683	1,032	-	-	12,510	11,790		
-	-	-	-	-	7,207	7,207	14,192		
-	-	-	-	-	2,013	2,013	6,977		
220	-	-	-	-	-	1,178	1,601		
229	-	1,717	3,801	8,758	9,220	321,651	308,823		
-	-	(15)	-	-	-	(139)	(77)		
229	-	1,701	3,801	8,758	9,220	321,512	308,646		
-	-	-	-	-	-	118,997	101,454		
-	-	-	-	-	-	12,852	13,499		
-	-	(110)	46	5,388	-	1,655	2,752		
97	(1)	261	4,518	(3,610)	-	708	654		
97	(1)	171	4,564	4,876	-	132,212	115,359		
-	-	(1,380)	(91)	-	-	(1,471)	(1,022)		
-	-	-	-	-	-	2	250		
97	(1)	(1,209)	4,473	4,876	-	130,743	117,587		
1,426	7	(677)	2,007	374	19,823	24,946	15,764		
21,012	2,018	4,367	5,299	16,953	353,215	409,471	393,801		
-	538	-	-	-	-	639	(91)		
21,012	2,556	4,367	5,299	16,953	353,215	410,010	393,710		
\$ 22,438	\$ 2,563	\$ 3,790	\$ 7,306	\$ 17,327	\$ 373,038	\$ 434,956	\$ 409,474		

STATE OF MONTANA  
Statement of Current Funds Revenues, Expenditures, Transfers and Other Changes  
Higher Education Fund Type  
For the Fiscal Year Ended June 30, 1992  
(Expressed in Thousands)

	CURRENT FUNDS				TOTALS	
	UNRESTRICTED				YEAR ENDED JUNE 30	
	GENERAL OPERATING	DESIGNATED	AUXILIARY	RESTRICTED	1992	1991
REVENUES:						
Tuition/Fees	\$ 40,161	\$ 5,466	\$ 6,530	\$ 13	\$ 52,170	\$ 43,077
Federal Grants/Contracts	4,115	35	-	47,299	51,449	40,725
State Grants/Contracts	-	344	-	4,290	4,634	4,555
Local Grants/Contracts	-	-	-	291	291	44
Private Gifts/Grants/Donations	-	306	-	9,042	9,348	9,794
Endowment Income	-	-	-	6	6	7
Sales/Service-Educational Activities	947	1,203	1	95	2,246	1,943
Sales/Service-Designated/Auxiliary Enterprises	6	11,728	37,424	141	49,299	43,138
Indirect Costs Recovered	139	4,386	-	-	4,525	1,900
Investment Earnings	86	65	488	196	835	1,049
Other Revenues	237	1,480	329	93	2,139	4,558
Total Revenues	45,691	25,013	44,772	61,466	176,942	151,090
Intrafund Revenues	(60)	-	-	(63)	(123)	(263)
Net Revenues	45,631	25,013	44,772	61,403	176,819	150,827
EXPENDITURES:						
Educational and General:						
Instruction	81,583	3,197	-	4,600	89,380	77,063
Research	11,104	2,498	-	19,762	33,364	25,051
Public Service	5,455	3,092	-	7,294	15,841	9,999
Academic Support	14,404	612	-	1,429	16,445	17,095
Student Services	15,290	7,317	-	2,658	25,265	17,690
Institutional Support	16,961	758	-	251	17,970	20,199
Scholarships/Fellowships	3,813	1	-	23,862	27,676	23,240
Operation/Maintenance of Plant	19,710	26	-	125	19,861	19,764
Other Expenditures	608	271	79	-	958	1,001
Total Educational and General Expenditures	168,928	17,772	79	59,981	246,760	211,102
Intrafund Expenditures	(60)	-	-	(63)	(123)	(263)
Net Educational and General Expenditures	168,868	17,772	79	59,918	246,637	210,839
Auxiliary Enterprises	-	10	37,934	82	38,026	33,176
Independent Operations	1,272	-	-	-	1,272	1,244
Debt Services	260	211	86	212	769	267
Capital Outlay	5,337	2,126	179	3,459	11,101	8,875
Total Expenditures	175,737	20,119	38,278	63,671	297,805	254,401
TRANSFERS IN (OUT):						
Transfers from State General Fund	116,997	-	-	-	116,997	94,362
Millage Transfers	12,852	-	-	-	12,852	12,837
Mandatory Transfers	-	(903)	(5,765)	1	(6,667)	(5,861)
Nonmandatory Transfers	305	(725)	(411)	154	(677)	2,155
Total Transfers In (Out) (Note 14)	130,154	(1,628)	(6,176)	155	122,505	103,493
OTHER ADDITIONS (DEDUCTIONS):						
Restricted Receipts Over (Under)						
Transfers to Revenue	-	-	-	365	365	334
Loan Proceeds	-	-	2	-	2	-
Total Other Additions (Deductions)	-	-	2	365	367	334
Net Increase (Decrease) in Fund Balances	\$ 48	\$ 3,266	\$ 320	\$ (1,748)	\$ 1,866	\$ 253

The notes to the financial statements are an integral part of this statement.

STATE OF MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 1992

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity** - For financial reporting purposes, the State of Montana has considered all potential component units and has included all funds and account groups, agencies, boards, commissions, authorities, colleges, universities, and vocational-technical centers over which the State's executive, legislative and judicial branches exercise oversight responsibility. Oversight responsibility was determined on the basis of the following criteria as defined in Section 2100 of the Governmental Accounting Standards Board Codification of Governmental Accounting and Financial Reporting Standards: financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Other criteria used to evaluate potential component units include scope of public service and existence of special financing relationships. Based on this criteria, the following organizations are included in the accompanying financial statements:

**Higher Education Units**

State-owned Universities/Colleges/  
Vocational-Technical Centers

**Financing Authorities**

Montana Board of Housing  
Montana Health Facility Authority  
Beginning Farm Loan Program

Though the following organizations perform functions related to the higher education units, they are not considered part of Montana's reporting entity because they do not fall within the oversight responsibility of the State's elected officials: (1) Community Colleges which are considered part of local units of government; and both (2) the Montana Higher Education Student Assistance Corporation, a private non-profit corporation, and (3) private foundations supporting public education, over which the State exercises neither financial nor administrative control.

**B. Basis of Presentation** - The accompanying financial statements for the State of Montana have been prepared in accordance with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements of the higher education funds have been prepared in conformity with GAAP for colleges and universities as prescribed by the National Association of College and University Business Officers (NACUBO) and the American Institute of Certified Public Accountants.

Significant intrafund transactions and balances have been eliminated.

The total columns on the Combined Financial Statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Information in these columns does not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles. The total columns also do not present consolidated financial information as interfund eliminations have not been made in the aggregation of this data.

**C. Fund Structure** - The State uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The financial activities of the State of Montana are classified into four fund categories and two account groups, as described below:

**GOVERNMENTAL FUNDS**

**General Fund** - To account for all governmental financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes (other than expendable trusts or major capital projects).

Debt Service Funds - To account for resources accumulated for payment of principal and interest on long-term general obligation debt.

Capital Projects Funds - To account for resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

#### **PROPRIETARY FUNDS**

Enterprise Funds - To account for operations (1) financed and operated similar to private business enterprises, where the intent of the legislature is to finance or recover costs primarily through user charges; or (2) where the legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate.

Internal Service Funds - To account for the financing of goods and services provided by one department or agency to other departments, agencies or other governmental entities on a cost-reimbursement basis.

#### **FIDUCIARY FUNDS**

Trust and Agency Funds - To account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (1) Expendable Trust Funds; (2) Nonexpendable Trust Funds; (3) Pension Trust Funds; and (4) Agency Funds.

#### **ACCOUNT GROUPS**

General Fixed Assets Account Group - To account for all fixed assets of the State, except those accounted for in the Proprietary, Nonexpendable Trust, Pension Trust and Plant Funds.

General Long-Term Obligations Account Group - To account for all long-term obligations of the State, except those accounted for in Proprietary, Nonexpendable Trust, Pension Trust and Plant Funds.

#### **HIGHER EDUCATION (UNIVERSITY AND VOCATIONAL-TECHNICAL CENTER) FUNDS**

##### Current Funds

##### Unrestricted

General Operating - To account for the portion of financial resources that can be expended for general operations and is free of externally imposed restrictions, except those imposed by the legislature.

Designated - To account for those resources associated with general operations which are separately classified in order to accumulate costs recharged to other funds and to identify special activities of educational departments which are supported by supplemental assessments and the receipt and disposition of special supply and facility fees which are approved for collection beyond normal course fees.

Auxiliary - To account for those financial resources devoted to providing essential on-campus services primarily to students, faculty or staff where a fee relating to the service is charged.

Restricted - To account for the portion of financial resources that can be expended only for purposes imposed by sources external to the Board of Regents and the legislature.

##### Fiduciary Funds

Student Loans - To account for moneys which may be loaned to students, faculty or staff for purposes related to education, organized research or public services by the higher education units.

Endowments - To account for moneys where the principal is available for investment. Investment earnings are to be transferred to (or recorded directly in) appropriate operating funds pursuant to prevailing administrative requirements.

Agency - To account for moneys where the State acts in the capacity of a custodian or fiscal agent for individual students, faculty, staff or qualified organizations.

##### Plant Funds

Unexpended - To account for unexpended resources derived from various sources which are used to finance the acquisition/construction of plant assets and the associated liabilities.

Renewal and Replacement - To account for resources used to provide for the renewal and replacement of plant fund assets as distinguished from additions and improvements.

Retirement of Indebtedness - To account for resources accumulated for interest and principal payments and other debt service charges, including contributions to reserves, relating to plant fund indebtedness.

Investment in Plant - To account for all long-lived assets in the service of the higher education unit as well as all associated liabilities.

**D. Basis of Accounting** - The accounting and reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for on a spending or "financial flow" measurement focus. This means only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is followed in the Governmental Funds, Expendable Trust Funds and Agency Funds. Under the modified accrual basis, revenues are susceptible to accrual and recognized when they are measurable and available to pay current period liabilities. Intergovernmental revenues received as reimbursements are recognized based upon the expenditures incurred. Intergovernmental revenues received but not earned are recorded as deferred revenues. During fiscal year 1992, the State changed its determination of availability for taxes on coal sales, gas and oil production, individual income and other self-assessed taxes from when returns are filed to 60 days. Based on historical analysis, a liability has been recognized for collected withholding taxes to be refunded in fiscal year 1993. Expenditures are recognized when the related fund liability is incurred, with the following exceptions:

- (1) principal and interest on long-term debt is recognized when due;
- (2) prepayments are accounted for as expenditures in the period of acquisition; and
- (3) inventory items are considered expenditures when purchased.

All Proprietary, Pension Trust and Nonexpendable Trust Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means all assets and liabilities associated with these activities are included on their balance sheets. Operating statements for these funds present increases (revenues) and decreases (expenses) in net total assets.

Proprietary, Pension Trust, Nonexpendable Trust and Higher Education Funds are maintained and report on the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable. In Higher Education Funds, depreciation expense related to plant fund assets is not recorded; also, student tuition and fees are fully recognized in the fiscal year in which the related courses or activities are principally conducted. Proprietary and Higher Education Funds' unbilled receivables are recognized as revenue.

**E. Cash/Cash Equivalents** - For all funds, except the Board of Housing in the Enterprise Fund type, cash and cash equivalents consist of cash deposits, cash invested in STIP and short-term, highly liquid investments with original maturities of three months or less. The Board of Housing considers cash and cash equivalents to be cash held by the state treasurer, other cash deposits, and mortgage payments in transit.

**F. Receivables** - This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. The allowance for uncollectible taxes at June 30, 1992, is \$26.2 million.

**G. Inventories** - Inventories of materials and supplies are stated at cost. The State allows agencies to use any generally accepted inventory pricing method, but specifies the first-in, first-out method should be appropriate for most agencies.

Governmental and Expendable Trust Funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end significant amounts of inventory are shown as a reserve of fund balance, indicating they do not constitute "available spendable resources."

Proprietary, Pension Trust, Nonexpendable Trust and Higher Education Funds report using the "consumption method," meaning inventories are expensed as used.

**H. Deferred (Gains) Losses** - This classification is used in the Pension Trust Funds to reflect use of the deferral and amortization method of accounting for gains and losses on the exchange of securities.

**I. Deferred Charges** - Unamortized bond issuance costs are reported in this category.

**J. Deferred Revenue** - Deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

**K. Fund Balance/Retained Earnings Reserves** - Portions of fund equity are reported as "reserved" to indicate (1) amounts not available for expenditure, such as equity represented by inventories; and (2) amounts legally segregated for a specific future use, such as those pledged for debt service and retirement benefits or legally-binding contractual agreements.

**L. Other Taxes** - On the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for All Governmental Fund Types and Expendable Trust Funds, the revenue category "Other Taxes" consists of the following taxes (in thousands):



	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Property	\$ 297	\$160,740	\$ -	\$ -
Fuel	-	113,111	-	-
Vo-Tech/University				
Millage	-	14,514	-	-
Cigarette/Tobacco	-	-	9,743	3,559
Inheritance/Estate	11,338	-	-	-
Alcoholic Beverage	2,113	2,389	-	-
Miscellaneous	44,180	52,094	-	-
<b>TOTAL OTHER TAXES</b>	<u>\$57,928</u>	<u>\$342,848</u>	<u>\$9,743</u>	<u>\$3,559</u>

**M. Property Taxes** - Real property taxes are levied in October and are payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due. The State recognizes property tax revenues as available if they are collected within 60 days after fiscal year-end. Material delinquent and total uncollected current year property taxes receivable are recorded in Receivables (Net).

Personal property tax levies are set each August and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Personal property taxes attach as an enforceable lien immediately if not paid when due.

Property taxes are collected by each of Montana's 56 counties. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

**N. Compensated Absences** - Full-time state employees earn vacation leave ranging from 15-24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 40 hours of sick leave to a nonrefundable sick leave pool. For fiscal year 1992, 563 hours were contributed to the sick leave pool and 538 hours were withdrawn leaving a balance of 4,582 hours in the pool. No liability is reported in the accompanying financial statements because these hours are nonrefundable to participants except by grants approved through an application process.

Vested or accumulated leave of proprietary and pension trust funds is recorded as an expense and liability of those funds and for higher education the expense and liability is recorded in the current unrestricted funds as the benefits accrue to employees. The liability amount recorded in the General Long-Term Obligations Account Group is not expected to be liquidated with expendable financial resources, thus no expenditure or liability is reported in the governmental funds. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave. As of June 30, 1992, the State's liability for unused vacation and sick leave for Higher Education Funds was \$19.1 million. The remaining agencies' leave liabilities at June 30, 1992, were \$35.3 million, an increase of \$3.4 million over the June 30, 1991, leave liability of \$31.9 million. The following table reflects the change (in millions):

	Balance July 1, 1991	Leave Earned	Leave Used	Balance June 30, 1992
Governmental Fund Types and Similar Trust Funds	\$ 29.0	\$ 22.8	\$ 19.7	\$ 32.1
Proprietary Fund Types and Similar Trust Funds	2.9	2.4	2.1	3.2
<b>Total Non-Higher Education Funds</b>	<u>\$ 31.9</u>	<u>\$ 25.2</u>	<u>\$ 21.8</u>	<u>\$ 35.3</u>

## 2. BUDGETARY REPORTING

**A. State Budget Process** - Montana is a biennial budget state. The constitution requires that legislative appropriations not exceed available revenues. Revenue estimates are adopted by the legislature for budgetary purposes but do not represent a legal restriction on actual revenues. Expenditures may not legally exceed budgeted appropriations. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the General, Special Revenue, Capital Projects, Enterprise and Internal Service Funds. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor and the legislative fiscal analyst. The Governor and budget director establish priorities and balance the budget. The Governor's budget is submitted to the legislative fiscal analyst who then prepares recommendations. A comparison of those recommendations with the Governor's budget is submitted to the legislature. Joint appropriations subcommittee hearings are held and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate.

The legislature generally enacts one bill making all appropriations for the next two fiscal years. Other appropriations are enacted by the legislature, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, contractual services, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. Additionally, the Governor, or his designee, may approve budget amendments for non-General Fund moneys not available for consideration by the legislature and for emergencies. In the accompanying financial statements, reported budget amounts are as amended. Budget amendments authorized for fiscal year 1992 were not material. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations may be continued into the next fiscal year when authorized by the legislature or the Governor's Office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued/encumbered. Fund balances/retained earnings are not reserved for reverted appropriations. For fiscal year 1992, reverted appropriations for all funds were \$166 million.

Because appropriations for Capital Projects Funds' are not made on an annual basis, activities for the Capital Projects Funds are not presented in the Combined Statement of Revenues, Expenditures, Other Financing Sources (Uses) and Reconciliation of Budget and Actual (Budgetary Basis) to GAAP Basis - Unreserved Fund Balance.

**B. Encumbrances** - Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded as expenditures and liabilities in order to reserve that portion of the applicable appropriation, is employed for budget control purposes. Encumbrances outstanding at fiscal year-end are reported as reservations of fund balances for subsequent year expenditures.

**C. Budget Basis** - The legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with GAAP. The budget basis differs from GAAP for encumbrances outstanding at fiscal year-end; compensated absences, fixed assets and inventories purchased in Proprietary Funds; compensated absences and inventories purchased in Higher Education Funds; certain loans from Governmental Funds; deferred gains (losses) on bond swaps; and other miscellaneous nonbudgeted activity (e.g., bad-debt write-offs, etc.). The General and Special Revenue Fund Type budgetary statement includes a reconciliation of unreserved fund balance between "Excess of Revenues/Other Sources Over (Under) Expenditures/Other Uses" on the budgetary basis and the GAAP basis.

### **3. ACCOUNTING AND REPORTING CHANGES**

The State made the following changes in its accounting and reporting practices to enhance conformance with GAAP:

**Prior Period Adjustments** - For the fiscal year ended June 30, 1992, the following adjustments to correct errors of prior periods have resulted in restatements (in thousands) of beginning fund equity.

<u>Fund Type</u>	<u>Increase (Decrease)</u>
General	\$ 1,860
Special Revenue	908
Debt Service	6,164
Capital Projects	1,000
Enterprise	(1,108)
Internal Service	175
Expendable Trusts	(265)
Nonexpendable Trusts	228
Pension Trusts	(14)
Higher Education:	
General Operating	(13)
Designated	69
Restricted	(55)
Endowments	538
Totals	<u>\$ 9,487</u>

**Change in Accounting Principle** - During fiscal year 1992, the state changed its method of recording revenues for taxes on coal sales, gas and oil production, individual income and other self-assessed taxes from when it receives the taxes to recording revenue if the tax is due within 60 days. This method of accounting for these taxes is a more preferable method in that it meets the measurable and available criteria.

This change in accounting principle increased unreserved fund balance in the governmental funds as follows (in thousands): General Fund \$28,719; State Special Revenue Fund \$29,011; and Debt Service Fund \$2,664.

The unreserved fund balance in the General Fund went from (\$4.233) million to \$24.486 million as a result of this change in accounting principle.

The effect of the accounting change on the Excess of Revenues and Other Sources over Expenditures and Other Uses in these funds as previously reported for June 30, 1991, is shown on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances as "Cumulative Effect of Change in Accounting Principle". The change to the beginning fund balances in each fund is as follows (in thousands): General Fund \$30,885; State Special Revenue Fund \$35,318; and Debt Service Fund \$3,535.

#### 4. CASH/CASH EQUIVALENTS AND INVESTMENTS

This footnote details the following balance sheet classifications (in thousands):

Cash/Cash Equivalents	\$ 1,097,025
Equity in Pooled Investments	\$ 483,459
Investments	\$ 2,695,263

Carrying amounts and market values (Bank Balance for Cash Deposits) for the State's cash/cash equivalents and investments are presented in Tables 1 through 7. The State's cash equivalents and investments are categorized in Table 2 - Short-Term Investment Pool (STIP), Table 4 - Cash Equivalents, Table 5 - Equity in Pooled Investments and Table 7 - Investments to disclose the level of risk assumed by the State at fiscal year-end. Category 1 includes investments that are insured, registered or uninsured, unregistered securities held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the State's name. None of the State's cash equivalents or investments were classified in Category 3 at fiscal year-end.

Under a security lending agreement with the State's agent, all of the State's investments may be loaned. The agreement requires the collateralization of loaned securities with securities at 102% of their face value.

##### A. Cash/Cash Equivalents

(1) **Cash Deposits** - The State's main depository bank balance fluctuates daily. The State requires collateralization based on an average daily bank balance. For other depository banks, State statutes require collateralization at 50% of the bank balance. All securities pledged for collateral are held by the State or by the State's agent or its pledging institution in the State's name (see risk category 1 and 2, Table 1).

TABLE 1 - CASH DEPOSITS (In Thousands)

<u>Risk Category</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Insured (FDIC)	\$ 5,159	\$ 5,159	Various
Uninsured:			
(1) Collateral held by State/State's agent	229,088	20,885	Various
(2) Collateral held by pledging institution	88,092	88,092	Various
(3) Uncollateralized	24,219	15,112	Various
	346,558	<u>\$129,248</u>	
Outstanding Warrants	(38,900)		
<b>TOTAL CASH DEPOSITS</b>	<b><u>\$307,658</u></b>		

(2) **Short-Term Investment Pool (STIP)** - STIP consists of cash in the State Treasury not invested by individual funds in identifiable securities. Cash is pooled and invested in short-term instruments. Each investing fund, including local governments outside this reporting entity, purchase units in STIP. STIP is under the control of the Board of Investments.

TABLE 2 - SHORT TERM INVESTMENT POOL (STIP) (In Thousands)

	<u>Categories</u>		<u>Carrying Amount</u>	<u>Market Value</u>	<u>Fund</u>
	<u>1</u>	<u>2</u>			
Government Securities	\$ 53,365	\$ -	\$ 53,365	\$ 53,650	Various
Bankers' Acceptances	371,066	-	371,066	371,154	Various
Commercial Paper	154,638	-	154,638	154,659	Various
Repurchase Agreements	76,595	-	76,595	76,595	Various
Corporate Obligations	114,901	-	114,901	114,907	Various
	<u>\$770,565</u>	<u>\$ -</u>	<u>\$770,565</u>	<u>\$770,965</u>	
Securities on Loan:					
Government Securities			9,880	9,916	
<b>TOTAL STIP</b>			<b><u>\$780,445</u></b>	<b><u>\$780,881</u></b>	



As of June 30, 1992, total STIP included securities owned by local governments with both a carrying value and a market value of \$260,634,900.

**(3) Cash Equivalents** - Cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents may be under the control of the Board of Investments (the Board) or other agencies as allowed by law.

TABLE 3 - CASH EQUIVALENTS (In Thousands)

Fund Type	Carrying Amount	Market Value	Govt. Secur.	Money Market	Commercial Paper
Enterprise					
Carrying Amount	\$4,876		\$4,876	\$ -	\$ -
Market Value		\$4,876	4,876	-	-
Internal Service					
Carrying Amount	1,544		480	-	1,064
Market Value		1,544	480	-	1,064
Higher Education					
Carrying Amount	2,502		2,232	270	-
Market Value		2,502	2,232	270	-
Total Cash Equivalents:					
Carrying Amount	<u>\$8,922</u>		<u>\$7,588</u>	<u>\$270</u>	<u>\$1,064</u>
Market Value		<u>\$8,922</u>	<u>\$7,588</u>	<u>\$270</u>	<u>\$1,064</u>

TABLE 4 - CASH EQUIVALENTS (RISK CATEGORIES) (In Thousands)

Security Type	Categories		Carrying Amount	Market Value
	1	2		
Government Securities	\$ 7,108	\$ 480	\$ 7,588	\$ 7,588
Money Markets	270	-	270	270
Commercial Paper	-	1,064	1,064	1,064
TOTAL	<u>\$ 7,378</u>	<u>\$ 1,544</u>	<u>\$ 8,922</u>	<u>\$ 8,922</u>

**B. Equity in Pooled Investments** - Consists of cash pooled and invested in common stock of publicly held companies. Known as MONTCOMP (Montana Common Stock Pool), participation is restricted to expendable, nonexpendable, pension and higher education endowment funds. MONTCOMP purchases are subject to statutory restrictions for quality and size of holdings.

TABLE 5 - EQUITY IN POOLED INVESTMENTS (In Thousands)

	Categories		Carrying Amount	Market Value	Fund
	1	2			
<b>MONTCOMP</b>					
Corporate Stocks	<u>\$463,106</u>	<u>\$ -</u>	\$463,106	\$598,208	Various
Securities on Loan:					
Corporate Stocks			20,353	26,925	
TOTAL MONTCOMP			<u>\$483,459</u>	<u>\$625,133</u>	

**C. Investments** - Investments are primarily administered by three state agencies. Article 8 of Montana's Constitution, with supporting statutes, provides the Board of Investments with the authority to manage the State's uniform investment program. State law specifies which agencies may hold investments outside the administration of the Board. The Board, as the State's primary administrator of long-term investments, actively manages 89% of those investments; the Board of Housing, 8%; and the Department of Administration's Personnel Division, 3% for the State's Deferred Compensation Plan.

The Board must employ the "Prudent Expert Rule" in managing the State's investment portfolio. The funds carry equity securities at cost and debt securities at amortized cost. Deferred compensation plan investments are carried at market.

The Board of Investments continued to invest in leveraged buyouts and venture capital in fiscal year 1992. The Board's total leveraged buyout commitment, administered by Kohlberg, Kravis, Roberts and Companies, amounts to \$50,300,000. The leveraged buyout invested balance for the pension funds amounted to \$22,690,630 on June 30, 1992.

For the purpose of portfolio diversification, the Board has committed \$17,600,000 for venture capital investments administered by Brinson Partners. The June 30, 1992 venture capital invested balance totaled \$4,170,001 for the Teachers' Retirement and \$5,096,671 for the Public Employees' Retirement systems.

In September 1991, the board committed \$5,000,000 per year for the next five years to invest in mortgage servicing rights. As of June 30, 1992, the invested balance in America's Mortgage Servicing, Inc., totaled \$1,382,356 for the Teachers' Retirement and \$1,689,546 for the Public Employees' Retirement systems.

TABLE 6 - INVESTMENTS (CARRYING AMOUNT/MARKET VALUE) (In Thousands)

Fund Type	Carrying Amount	Market Value	Corporate Bonds	Government Securities	Mortgages	Bond Anticipation Notes	Other
<b>Special Revenue</b>							
Carrying Amount	\$ 7,487		\$ 3,091	\$ 4,396	\$ -	\$ -	\$ -
Market Value		\$ 7,708	3,216	4,492	-	-	-
<b>Debt Service</b>							
Carrying Amount	6,621		-	6,621	-	-	-
Market Value		6,806	-	6,806	-	-	-
<b>Enterprise</b>							
Carrying Amount	326,351		32,125	247,128	-	-	47,098
Market Value		342,941	33,061	260,682	-	-	49,198
<b>Internal Service</b>							
Carrying Amount	4,322		1,500	2,822	-	-	-
Market Value		4,544	1,618	2,926	-	-	-
<b>Nonexpendable Trust</b>							
Carrying Amount	746,113		562,732	180,333	-	3,048	-
Market Value		789,582	598,550	187,984	-	3,048	-
<b>Pension Trusts</b>							
Carrying Amount	1,511,962		1,088,833	262,859	118,540	-	41,730
Market Value		1,600,266	1,153,878	271,923	118,540	-	55,925
<b>Higher Education</b>							
Carrying Amount	12,735		-	12,098	-	-	637
Market Value		12,960	-	12,299	-	-	661
<b>Totals Identifiable Investments:</b>							
Carrying Amount	\$2,615,591		\$1,688,281	\$716,257	\$118,540	\$3,048	\$89,465
Market Value		\$2,764,807	\$1,790,323	\$747,112	\$118,540	\$3,048	\$105,784
<b>Deferred Compensation</b>							
	79,672	79,672					
<b>TOTAL INVESTMENTS</b>	<u>\$2,695,263</u>	<u>\$2,844,479</u>					

TABLE 7 - INVESTMENTS (RISK CATEGORIES) (In Thousands)

Security Type	Categories		Carrying Amount	Market Value
	1	2		
Corporate Bonds	\$1,671,902	\$ -	\$1,671,902	\$1,772,509
Government Securities	403,976	159,894	563,870	534,485
Bond Anticipation Notes	3,048	-	3,048	3,048
Other	6,659	47,097	53,756	55,777
Subtotals	\$2,085,585	\$206,991	\$2,292,576	\$2,365,819
Pooled Def. Comp.	79,672	-	79,672	79,672
	<u>\$2,165,257</u>	<u>\$206,991</u>	<u>\$2,372,248</u>	<u>\$2,445,491</u>
<b>Securities on Loan:</b>				
Government Securities			152,387	212,627
Corporate Bonds			16,379	17,814
<b>Direct Investments:</b>				
Mortgages			118,540	118,540
Other			35,709	50,007
<b>TOTAL</b>			<u>\$2,695,263</u>	<u>\$2,844,479</u>

##### 5. FIXED ASSETS

Fixed asset valuation is based on actual or estimated historical cost or, in the case of donations, fair market value on the date donated. Infrastructure fixed assets are generally not capitalized. Interest incurred during construction is not capitalized for general fixed assets or higher education units' fixed assets.

Fixed assets are not depreciated in the General Fixed Assets Account Group. When purchased, such assets are recorded as expenditures in the governmental fund types and Expendable Trust Funds. Fixed assets in Proprietary, Nonexpendable Trust and Pension Trust Funds are accounted for within their respective funds. They are depreciated on a straight-line basis with estimated useful lives of 30-50 years for buildings, 20 years for improvements and 4-12 years for equipment.

Fixed assets and intangible assets for Higher Education Units are accounted for in the Investment in Plant Fund and are not depreciated.

Intrafund transfers of fixed assets have not been eliminated in the table below or in the accompanying financial statements.

Changes in fixed asset balances (long-lived asset balances for Higher Education Funds) for the fiscal year ended June 30, 1992, are reflected in the following table (in thousands):

	Balance July 1, 1991	Additions/ Transfers	Deletions/ Transfers	Balance June 30, 1992
<b>PROPRIETARY FUNDS</b>				
Land	\$ 926	\$ -	\$ -	\$ 926
Buildings/Improvements	3,799	642	383	4,058
Equipment	103,911	19,081	13,308	109,684
Other Fixed Assets	8	-	-	8
Construction in Progress	2,532	1,572	2,713	1,391
Subtotal/Total	111,176	\$ 21,295	\$ 16,404	116,067
Accumulated Depreciation	(52,837)			(59,881)
Total	\$ 58,339			\$ 56,186
<b>NONEXPENDABLE TRUST FUNDS</b>				
Land	\$ 49,399	\$ -	\$ -	\$ 49,399
<b>PENSION TRUST FUNDS</b>				
Land	\$ 60	\$ -	\$ -	\$ 60
Buildings/Improvements	355	-	-	355
Equipment	187	17	1	203
Subtotal/Total	602	\$ 17	\$ 1	618
Accumulated Depreciation	(279)			(305)
Total	\$ 323			\$ 313
<b>GENERAL FIXED ASSETS ACCOUNT GROUP</b>				
Land	\$ 52,574	\$ 2,603	\$ 2,535	\$ 52,642
Buildings/Improvements	227,543	24,448	20,015	231,976
Equipment	82,254	12,174	9,228	85,200
Other Fixed Assets	43,558	192	57	43,693
Construction in Progress	4,710	1,558	1,015	5,253
Total	\$ 410,639	\$ 40,975	\$ 32,850	\$ 418,764
<b>HIGHER EDUCATION FUNDS</b>				
Land	\$ 11,110	\$ 853	\$ 737	\$ 11,226
Buildings/Improvements	278,532	4,316	1,005	281,843
Equipment	87,180	14,784	5,148	96,816
Other Fixed Assets	56,513	3,651	198	59,966
Construction in Progress	2,752	1,655	1,229	3,178
Intangible Assets	1,440	494	46	1,888
Total	\$ 437,527	\$ 25,753	\$ 8,363	\$ 454,917

## 6. RETIREMENT SYSTEMS

A. **Defined Contribution Plans** - Effective January 1, 1988, eligible employees of the Montana University System (MUS) could elect to participate in the Optional Retirement Program (ORP). The ORP is a defined contribution retirement plan governed by Title 19, Chapter 21 of the Montana Code Annotated. The plan is underwritten by the Teachers' Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF) and only faculty and staff with contracts under the authority of the Board of Regents may elect to participate. Those faculty and staff members who do not elect ORP must participate in the Teachers' Retirement System, a defined benefit plan discussed in the next section.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses and the employee's life expectancy at retirement. Under the ORP, each employee enters into an individual contract with TIAA-CREF. Individuals are immediately vested with all contributions. Higher education units record employee/employer contribution expenditures in the affected higher education subfund when remitting contributions to the Commissioner of Higher Education. These moneys are recorded in the Custodial Accounts Agency Fund. The Commissioner's Office then wire transfers the contributions to TIAA-CREF. The MUS is not liable for asset management or for providing benefits after the required contributions have been made to TIAA-CREF. Approximately 32% of eligible employees are members of the ORP. New employees have 90 days to make an election. Elections to a retirement plan are irrevocable during active employment. Employee contributions are 7.044% of salary and employer contributions are 2.956% of salary for a total of 10% of salary contributed to the ORP. There were no related party transactions in the current reporting period.

	TIAA-CREF (in thousands)
Covered Payroll	\$ 23,679
Total Payroll	154,474
Employer Contributions	\$ 700
Percent of Covered Payroll	2.956%
Employee Contributions	\$ 1,668
Percent of Covered Payroll	7.044%

**B. Defined Benefit Plans** - The State contributes to and/or administers nine retirement systems in four categories: (1) the State as the single employer; (2) the State as an employer contributor to cost-sharing multiple-employer plans; (3) the State as a nonemployer contributor to cost-sharing multiple employer plans; and (4) the State as an administrator - nonemployer, noncontributor.

The number of years required to obtain vested rights varies among the systems. All systems provide early retirement options, death benefits, termination (except VFRS) and disability benefits. All systems (except VFRS) provide post-retirement benefits. Post-retirement benefits for the GWRS, PERS, TRS and SRS are based on investment yield, retirees' total years of service, age and option chosen at the time of retirement. Post-retirement adjustments are made only in years when funding is available and does not increase the unfunded liability of the system. The post-retirement benefits of each of the remaining systems are included in the plan descriptions below.

The funding policies for each system provide for periodic employer and employee contributions (except VFRS) at rates specified by state law; contribution requirements are not actuarially determined. An actuary determines the actuarial implications of the funding requirement in a biennial actuarial valuation. VFRS is in the process of being valuated. The actuarial method used to determine the implications of the statutory funding level is the entry age normal funding method, with both normal cost and amortization of the unfunded accrued liability determined as a level percentage of payroll. To maintain the fund on an actuarially sound basis, the rate of contributions should fund the normal cost in addition to amortizing the unfunded liability over a period of 30 years. The Contributions Required (R) by State/Actual (A) Contributions section contains the number of years needed to fund the normal cost and amortize the unfunded liability. Additionally, each system functions uniquely as described below:

#### **(1) State as the Single Employer**

**HPORS - Highway Patrol Officers' Retirement System** - This system, established in 1971 and governed by Title 19, Chapter 6 of the Montana Code Annotated, provides retirement services for all members of the Montana Highway Patrol, including supervisory personnel. Member and State contributions are 9% and 36.28%, respectively, of total salaries for active highway patrol officers. For members hired on or before July 1, 1985, there is no minimum age, but minimum service is 20 years for benefit eligibility. A member hired after July 1, 1985, must be 50 years old and have 20 years of creditable service for benefit eligibility. The service retirement allowance is based on a formula of 2.5% times the number of years of service times the final average salary. Post-retirement benefits are 2% of a probationary highway patrolman's salary adjusted for years of service. Rights are vested after five years of service.

**JRS - Judges' Retirement System** - This system, established in 1967 and governed by Title 19, Chapter 5 of the Montana Code Annotated, provides retirement services for all persons employed as a judge of a district court or justice of the Supreme Court. The member contributes 6% of their salary except those members elected or appointed after July 1, 1983, who contribute 7%. The State contributes 6% of active judges' salaries, district court fees equal to 34.71% of salaries payable to district court judges and Supreme Court justices, and 25% of Supreme Court fees. For benefit eligibility, minimum service is 5 years and minimum age is 65. The monthly retirement allowance formula is 3 1/3% times the number of years of service (to a maximum of 15 years) times 1/12 the final salary, plus 1.785% of such final salary for each year of service after 15 years. The JRS retirees can receive an increase in benefits based on legislative action. Rights are vested after five years of creditable service.

**GWRS - Game Wardens' Retirement System** - This system, established in 1963 and governed by Title 19, Chapter 8 of the Montana Code Annotated, provides retirement services for all persons employed as a game warden, including all supervisory personnel. The member contributes 7.9% of salary and the State contributes 7.15% of active game wardens' salaries, plus all collections from fines and forfeited bonds related to fish and game law violations. For benefit eligibility, minimum age is 50 and minimum years of service are 20. A member may retire with ten years of service at age 55. The formula for a service retirement allowance is 2% times the number of years of service times the final average salary. Rights are vested after ten years of service.

#### **(2) State as an Employer Contributor to a Cost-Sharing Multiple-Employer**

**PERS - Public Employees' Retirement System** - This mandatory system, established in 1945 and governed by Title 19, Chapter 3 of the Montana Code Annotated, provides retirement services to substantially all public employees. For fiscal year 1992, the contribution rate is 6.417% of gross wages for both employees and employers. Benefit eligibility is age 60 with at least 5 years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarially reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits are determined by taking 1/56 times the number of years of service times the final average salary times any early retirement reduction if necessary. Members' rights are vested after 5 years of service.



**TRS - Teachers' Retirement System** - This mandatory system, established in 1937 and governed by Title 19, Chapter 4 of the Montana Code Annotated, provides retirement services to all persons employed as teachers or professional staff of any public elementary or secondary school, vocational-technical center or unit of the university system. Contribution rates are 7.044% of gross wages for employees and 7.459% of gross wages for employers. Eligibility is met with a minimum of 25 years of service or age 60 with 5 years of creditable service. The formula for annual benefits is 1/60 times creditable service times the final average compensation. Rights are vested after five years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits.

### **(3) State as a Nonemployer Contributor to a Cost-Sharing Multiple-Employer**

**MPORS - Municipal Police Officers' Retirement System** - The system, established in 1975 and governed by Title 19, Chapter 9 of the Montana Code Annotated, covers all municipal police officers of cities covered by the plan. Member contribution is 6% of salary for members employed prior to July 1, 1975, 7.2% of salary for members employed after June 30, 1975, and prior to July 1, 1979, and 8.7% for members employed after June 30, 1979. City contributions are 13.92% of active police officers' salaries. The State contributes 15.66% of active police officers' salaries. The State's contribution is funded from the premium tax on motor vehicle property and casualty insurance policies. Minimum years of service are 20 for benefit eligibility. Any officers meeting the eligibility requirements shall receive 1/2 their final average salary. For service greater than 20 years, the allowance will increase 1% of the final average salary per year of additional service up to a maximum of 60% of final average salary. Post-retirement benefits is the amount needed to provide 50% of the base salary of a newly confirmed police officer. Rights are vested after ten years of service.

**FURS - Firefighters' Unified Retirement System** - This system, established in 1981 and governed by Title 19, Chapter 13 of the Montana Code Annotated, provides retirement services for all paid firefighters. Member contribution is 6% of base compensation, and city contributions are 13.02% of total annual compensation. The State contribution is 23.27% of total annual compensation for all firefighters and is paid out of the insurance premium tax fund. Minimum age is 50 and minimum service is 20 years for benefit eligibility. For members hired prior to July 1, 1981, with at least 20 years of service, the monthly service retirement benefit is equal to 1/2 of the final monthly compensation received plus an additional 1% for each year in excess of 20 years, up to a maximum benefit of 60% of final monthly compensation. Members hired on or after July 1, 1981, shall receive a service retirement allowance equal to 2% of final average salary for each year of service up to a maximum of 30 years of service. Post-retirement benefits require that each retiree receive at least 50% of the salary paid a newly confirmed active firefighter. Rights are vested after ten years of service.

**VFRS - Volunteer Firefighters' Retirement System** - This system, established in 1965 and governed by Title 19, Chapter 12 of the Montana Code Annotated, provides medical benefits and retirement, disability and death benefits for all volunteer firefighters of unincorporated areas. The State contribution is 5% of fire insurance premium taxes collected. This retirement system is required by law to be fully funded and cannot pay benefits unless money is available. Rights are vested after 20 years of service.

### **(4) State as Administrator - Nonemployer, Noncontributor**

**SRS - Sheriffs' Retirement System** - This system, established in 1974 and governed by Title 19, Chapter 7 of the Montana Code Annotated, covers all persons employed as sheriffs. The member contribution is 7% of salary; the county contribution is 7.67% of salary. Minimum years of service for benefit eligibility are 24 for members elected or appointed prior to July 1, 1989. For members elected or appointed on or after July 1, 1989, the minimum years of service are 24 and the minimum age is 50. The service retirement allowance is calculated at 2.0834% of the final average salary for each year of creditable service, up to a maximum of 50% of final salary, plus 1.35% of the final average salary for each year of service in excess of 24 years, up to a maximum of 60% of final salary. Reduced benefits for early retirement may be taken with a minimum 15 years of service and minimum age of 50. Rights are vested after ten years of service.

### **C. Actuarial Data**

Actuarial valuations are performed every two years excluding the VFRS. Data for the VFRS is not readily available for an actuarial valuation. The Public Employees' Retirement Division which administers the VFRS is currently in the process of developing a database to provide the necessary data for an actuarial valuation. Hendrickson, Miller & Associates Inc., Helena, MT, prepared the actuarial reports for the other retirement systems, excluding TRS, and is responsible for completing the actuarial valuation for the VFRS. Milliman & Robertson, Inc., of Seattle, WA., performed the actuarial valuation for TRS. The following table discloses various information by retirement system (dollar amounts expressed in thousands) as of June 30, 1992. Although specific total payroll amounts are not available, substantially all of total payroll is covered.

	HPORS	JRS	GRS	PERS	TRS	MPORS	FURS	SRS	VFRS
<b>Membership</b>									
Receiving Benefits	201	31	61	10,734	6,926	436	401	99	561
Vested Term. Employee	6	4	-	1,035	6,064	5	11	16	N/A
Non-vested Term. Employee	3	-	3	4,703	-	12	15	66	N/A
Vested Active Employees	131	29	52	17,857	10,720	213	248	287	N/A
Non-vested Active Employees	72	14	35	9,616	5,917	240	172	234	N/A
Total	413	78	151	43,945	29,627	906	847	704	561

<u>Plan Descriptions</u>	<u>HPORS</u>	<u>JRS</u>	<u>GURS</u>	<u>PERS</u>	<u>TRS</u>	<u>MPORS</u>	<u>FURS</u>	<u>SRS</u>	<u>VFRS</u>
Total Covered Payroll	\$ 5,575	\$ 2,686	\$ 2,466	\$529,126	\$425,126	\$11,403	\$10,883	\$13,688	N/A
State Covered Payroll	\$ 5,575	\$ 2,686	\$ 2,466	\$230,491	\$ 69,161	N/A	N/A	N/A	N/A
<u>Related Party Disclosures</u>									
Related Parties	NONE	NONE	NONE	NONE	NONE	NONE	NONE	NONE	N/A
<u>Funding Status &amp; Progress</u>	<u>HPORS</u>	<u>JRS</u>	<u>GURS</u>	<u>PERS</u>	<u>TRS</u>	<u>TOTAL</u>			
Last Actuarial Valuation	7/01/92	7/01/92	7/01/92	7/01/92	7/01/92				
Return on Investments	8.0%	8.0%	8.0%	8.0%	8.0%				
Projected Salary Increases:									
Inflation	6.5%	6.5%	6.5%	6.5%	6.5%				
Merit	NONE	NONE	NONE	NONE	NONE				
Changes In Post-retirement	6.5%	6.5%	NONE	NONE	NONE				
PBO (1):									
Retirees,beneficiaries (2)	\$30,907	\$11,171	\$ 7,331	\$ 541,509	\$ 622,016	\$1,212,934			
Current Employees (3)	6,250	1,812	3,087	341,300	407,441	759,890			
Employer-financed vested	18,864	8,353	3,500	385,926	400,122	816,765			
Employer-financed non-vested	1,004	1,174	298	25,937	19,903	48,316			
Total PBO	\$57,025	\$22,510	\$14,216	\$1,294,672	\$1,449,482	\$2,837,905			
Net Assets Available for Benefits at Cost*	\$31,167	\$15,929	\$12,608	\$1,007,757	\$ 839,120	\$1,906,581			
Unfunded PBO	\$25,858	\$ 6,581	\$ 1,608	\$ 286,915	\$ 610,362	\$ 931,324			
*At Market Value	\$35,289	\$18,224	\$14,630	\$1,186,941	\$ 992,146	\$2,247,230			

	<u>MPORS</u>	<u>FURS</u>	<u>SRS</u>	<u>VFRS</u>
<u>Funding Status &amp; Progress</u>				
Last Actuarial Valuation	7/01/92	7/01/92	7/01/92	(12)
Return on Investments	8.0%	8.0%	8.0%	(12)
Projected Salary Increases:				
Inflation	6.5%	6.5%	6.5%	(12)
Merit	NONE	NONE	NONE	(12)
Changes In Post-retirement	6.5%	6.5%	NONE	(12)
PBO (1):				
Retirees,beneficiaries (2)	\$42,809	\$ 49,307	\$ 8,694	(12)
Current Employees (3)	9,161	9,819	9,817	(12)
Employer-financed vested	21,917	38,503	11,849	(12)
Employer-financed non-vested	4,237	3,977	2,272	(12)
Total PBO	\$78,124	\$101,606	\$32,632	(12)
Net Assets Available for Benefits at Cost*	\$41,303	\$42,258	\$41,278	\$8,200
Unfunded PBO	\$36,821	\$59,348		(12)
Assets in Excess of PBO			\$ 8,646	
*At Market Value	\$45,893	\$45,887	\$46,158	\$8,819

Contributions Required (R) by Statute/Actual (A) Contributions (4) (Statute Req. is Actuarially Determined)

	<u>HPORS</u>	<u>JRS</u>	<u>GURS</u>	<u>PERS</u>	<u>TRS</u>	<u>MPORS</u>	<u>FURS</u>	<u>SRS</u>	<u>VFRS</u>
Total Contributions	\$ 2,808	\$ 901	\$ 686	\$71,470	\$71,956	\$ 5,704	\$ 5,717	\$ 2,196	N/A
Normal Cost	1,523	1,105	396	56,131	37,526	2,663	2,319	2,008	N/A
% Of Covered Payroll	27.32%	41.14%	16.06%	10.24%	8.83%	23.35%	21.31%	14.67%	N/A
Amort Unfunded Liab	1,285	-	290	15,339	34,430	3,041	3,398	188	N/A
% of Covered Payroll	23.05%	-	11.76%	2.80%	8.10%	26.67%	31.22%	1.37%	N/A
Years Req. to Fund Normal Cost & Amortize Unfunded Liab.	28.80	27.32	4.06	18.25	34.9	24.71	30.36	0.0	(12)

		HPORS	JRS	GWRS	PERS	TRS	MPORS	FURS	SRS	VFRS
Employer Contributions (A)		\$ 2,158	\$ 712	\$ 457	\$33,954	\$35,846	\$ 1,597	\$ 1,444	\$ 1,089	(12)
% of Covered Payroll (A)		38.71%	26.5%	18.53%	6.417%	8.432%	14.01%	13.27%	7.96%	(12)
% of Covered Payroll (R)		36.28%	6.0%	7.15%	6.417%	7.459%	13.92%	13.02%	7.67%	(12)
		(5)	(6)	(7)						
State Contributions (A)		\$ 2,158	\$ 712	\$ 457	\$14,685	\$ 5,164	N/A	N/A	N/A	N/A
% of Employer Cont. (A)		100%	100%	100%	43.3%	14.4%	N/A	N/A	N/A	N/A
Employee Contributions (A)		\$ 595	\$ 174	\$ 211	\$36,137	\$34,677	\$ 905	\$ 668	\$ 1,089	(12)
% of Covered Payroll (A)		10.7%	6.5%	8.6%	6.593%	8.157%	7.94%	6.1%	7.96%	(12)
% of Covered Payroll (R)		9.0%	6.0%	7.9%	6.417%	7.044%	(9)	6.0%	7.0 %	(12)
		(8)								
Other Contributions(13) (A)		\$ 55	\$ 15	\$ 18	\$ 1,379	\$ 1,433	\$ 3,202	\$ 3,605	\$ 18	\$ 631
% of Covered Payroll (A)		.99%	.56%	.73%	.26%	.34%	28.08%	33.13%	.13%	(12)
% of Covered Payroll (R)		-	-	-	-	-	(10)	(11)	-	(12)

- (1) The amounts shown as the PBO ("Pension Benefit Obligation") are standardized disclosure measures of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the system on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among employers. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the systems. The significant actuarial assumptions used in the annual evaluations are the assumptions used in the PBO determination.
- (2) Retirees, beneficiaries receiving benefits and terminated employees not yet receiving benefits.
- (3) Current employees - accumulated employee contributions including allocated investment earnings.
- (4) Actual percentages exceed required percentages (unless otherwise footnoted) because contributions include amounts for buybacks.
- (5) The employer's contributions include fees from drivers' licenses and vehicle registrations.
- (6) The employer also contributes District Court Fees equal to 34.71% of covered payroll and 25% of Supreme Court Fees. However, during the year ending June 30, 1992, actual contributions did not cover the year's normal cost.
- (7) The employer's contribution includes all collections from fines and forfeited bonds related to fish and game law violations.
- (8) For members elected or appointed after July 1, 1983, the contribution rate is 7% of salary.
- (9) Members employed before July 1, 1975, contribute 6.0% of salary; members employed on or after July 1, 1975, and prior to July 1, 1979 contribute 7.2% of salary; members employed on or after July 1, 1979 contribute 8.7% of salary.
- (10) The \$3,202,000 contribution by the State equals 15.66% of active policemen's salaries and is contributed from a premium tax on motor vehicle property and casualty insurance policies. It includes \$1,214,965 for post-retirement benefits for members retired before July 1, 1985. The State's contribution is 66.7% of total Employer and Other contributions.
- (11) The \$3,605,000 contribution by the State equals 23.27% of total firefighters' compensation and is contributed from a premium tax on insurance risks. It includes \$1,008,872 for postretirement benefits for retirees members. The State's contribution is 71.4% of total Employer and Other contributions.
- (12) This retirement plan is in the process of being actuarially valued. The State contributes 5% of fire insurance premium taxes collected.
- (13) Other contributions include a retirement adjustment payment from the State's General Fund for retirees of State, Local and Teacher retirement systems who are Montana residents.

#### D. Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Available 10-year trend information for HPORS, JRS, GWRS, PERS, TRS, MPORS, FURS, and SRS are found in the annual reports for these retirement systems.

#### REQUIRED SUPPLEMENTARY INFORMATION Analysis of Funding Progress

	HPORS	JRS	GWRS	PERS	TRS	MPORS	FURS	SRS
Net Assets Available for Benefits Expressed as a % of PBO (Percentage Funded)								
1990...	56.1%	71.7%	83.9%	76.9%	57.1%	49.4%	37.4%	138.6%
1991...	53.2%	69.5%	86.9%	78.3%	57.7%	49.6%	40.8%	137.2%
1992...	54.7%	70.8%	88.7%	77.8%	57.9%	52.9%	41.6%	126.5%
Unfunded PBO, Expressed as a % of Annual Covered Payroll								
1990...	387.1%	231.8%	92.3%	53.1%	130.6%	345.1%	573.1%	N/A
1991...	456.7%	274.1%	72.8%	52.4%	125.2%	324.1%	521.0%	N/A
1992...	463.8%	245.0%	65.2%	54.2%	143.6%	322.9%	545.3%	N/A

	HPORS	JRS	GURS	PERS	TRS	MPORS	FURS	SRS
Employer Contributions Expressed as a % of Annual Covered Payroll								
1990...	32.9%	30.8%	20.7%	6.417%	7.802%	13.02%	13.05%	8.10%
1991...	31.09%	30.1%	19.52%	6.434%	7.495%	13.03%	13.03%	7.81%
1992...	38.71%	26.5%	18.53%	6.417%	8.432%	14.01%	13.27%	7.96%

## 7. SELF-INSURANCE FUNDS

The State of Montana maintains several self-insurance plans. A brief description of each plan and the method of recording transactions are discussed below:

**A. Group Employee Comprehensive Medical and Dental Plan** - This plan is fully self-insured, with the State assuming all the risk for claims incurred by employees of the State, elected officials, retirees and their dependents. There is no third party coverage. Premiums are collected through payroll deductions, deductions through the Public Employees' Retirement System and self-payment and are recorded as revenue in the Employees' Group Benefits Enterprise Fund.

In July 1992, incurred but not reported claims were estimated to be \$5,985,340 based on a formula provided by Martin E. Segal Company, a consulting actuarial firm. A liability is recorded in the accompanying financial statements for these estimated claims.

**Postemployment Benefits** - In addition to the pension benefits described in Note 6, Retirement Systems, the State provides 18 to 36 months optional postemployment healthcare benefits in accordance with Public Law 99-272, known as the Federal Consolidated Omnibus Reconciliation Act (COBRA) to the following employees and dependents who elect to continue and pay administratively established premiums: (1) employees who are receiving employee healthcare benefits at the time they discontinue State employment, and (2) dependents who lose dependent eligibility. Currently 144 individuals are receiving these benefits.

In accordance with State statute 2-18-704 MCA, the State also provides optional postemployment healthcare benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Retirement eligibility criteria differ by retirement system (See Note 6). Administratively established premiums vary between \$84 and \$224 per month depending on coverage ranging from retirees only to retirees, spouses, and children, Medicare or non-Medicare eligible. The State acts as secondary payor for Medicare-eligible claimants. Currently 2,237 retirees are receiving healthcare benefits.

After an annual \$200 deductible, the State reimburses 75% of the first \$3,000 in validated medical claims and 100% of any remaining validated claims in the year. Dental claims are reimbursed at 50% to 100% depending on the services provided. The State funds claims on a pay-as-you-go basis. During the fiscal year, expenditures of \$6,419,731 were recognized for postemployment healthcare benefits. Of this amount, \$4,246,385 was covered by former employees' premium contributions and \$2,173,346 of claims in excess of premium revenue was paid by the State.

**B. Montana University System (MUS) Group Benefits Plan** - This plan was authorized by the Regents to provide medical, dental, and vision insurance coverage to employees of the Montana University System, as well as their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured with a stop loss underwritten by United of Omaha at 125% of expected claims. United of Omaha is the claims administrator on the plan. Managed Care Montana (Blue Cross/Blue Shield of Montana) has a contract for utilization management. The utilization management program consists of hospital pre-authorization, case management and medical necessity review. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance Enterprise Fund.

The self-insured plan is reinsured at 125% of expected claims. The incurred but not reported claims are estimated to be \$3,200,000 as of June 30, 1992. A liability is recorded in the accompanying financial statements for these estimated claims.

**Postemployment Benefits** - In addition to the pension benefits described in Note 6, Retirement Systems, the Montana University System (MUS), under State statute 2-18-702 MCA, provides postretirement health insurance benefits. Eligible employees must receive a retirement benefit from the Teachers Retirement System (TRS), Public Employees Retirement System (PERS), or an annuity under the Optional Retirement Plan. Spouses, unmarried dependent children, and surviving spouses are also eligible.

Administratively established premiums vary between \$109 and \$303 per month and are revised annually. Medicare eligible plan members are assumed to be Medicare-insured. After an annual \$250 deductible, MUS reimburses 80% of the first \$3,000 in medical claims in excess of \$600 and 100% thereafter. The plan automatically reduces claim reimbursement for members eligible for Medicare even if not enrolled in Medicare. Currently 1,012 retirees are enrolled in the MUS plan.

Funding for the retiree health plan is on a pay-as-you-go basis. During the fiscal year, expenditures of \$2,255,823 were recognized for postemployment healthcare benefits. Of this amount, \$1,659,600, was covered by former employees' premium contributions and \$596,223 of claims in excess of premium revenue was paid by the State.



C. Property Insurance Plans - This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, retail liquor stores inventory and State-administered foreclosure housing units. The State self-insures the \$150,000 deductible per occurrence for property insurance. The third party pays the next \$50 million per occurrence. Premiums are collected from all State agencies including Higher Education Units and recorded as revenue in the Administration Insurance Internal Service Fund.

Based on the most recent actuarial report, prepared by Tillinghast and issued for the accident period 7/1/82 - 6/30/92, a liability of \$15,102,203 is recorded in the accompanying financial statements for estimated claims including those incurred but not reported.

#### **8. DEFERRED COMPENSATION PLAN**

Since 1976, the State of Montana has offered a deferred compensation plan which allows employees to set aside a portion of their salary each payday towards retirement while deferring the State and Federal income taxes until future years. The payroll deferrals are invested with Nationwide Insurance. All employees of the State are eligible to participate. The plan operates under the sanction of both State and Federal laws (Section 457 of the Internal Revenue Code). The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the State (without being restricted to the provisions of benefits under the plan), subject only to the claims of the State's general creditors. In the past, the plan assets have been used for no purpose other than to pay benefits. The State believes it is unlikely it will use the assets to satisfy the claims of general creditors in the future because of the contractual arrangement with Nationwide Insurance and the State's obligation to participants for their account balance. State statute provides that the State and its political subdivisions are not liable for any investment losses incurred by any eligible deferred compensation plan. However, the State does have the duty of care required of an ordinary prudent investor. As of June 30, 1992, the net assets of the plan available for benefits totaled \$79.741 million.

The following table provides a summary of the increases and decreases of the Employees Deferred Compensation Agency Fund for the fiscal year ended June 30, 1992, (in thousands):

Fund Assets (at market value), July 1, 1991	\$ 70,674
Deferrals of compensation	7,165
Earnings and adjustment to market value	6,500
Payments to eligible participants and beneficiaries	(4,273)
Administrative expenses	(325)
Fund Assets (at market value), June 30, 1992	<u>\$ 79,741</u>

#### **9. UNEMPLOYMENT INSURANCE COMPENSATION**

Unemployment compensation benefits are funded in the State through unemployment insurance taxes levied against employers. The funds collected from this tax are deposited in the Unemployment Insurance Clearing Account and transferred daily to a trust fund in Washington, D.C. The United States Secretary of the Treasury is the trustee of this fund. The moneys are then transferred back to the State's Benefit Payment Account for disbursement as unemployment insurance benefits. Transfers are made daily at the request of the Montana Department of Labor and Industry. The benefits are accounted for in an Expendable Trust Fund. As of June 30, 1992, the State's trust fund had an unreserved fund balance of \$86.557 million.

#### **10. RISK MANAGEMENT--PUBLIC ENTITY RISK POOLS**

The State of Montana has five public entity risk pools that are properly reported within the Enterprise Fund Type: State Compensation Mutual Insurance (New Fund), State Compensation Mutual Insurance (Old Fund), Hail Insurance, Uninsured Employers', and Subsequent Injury Funds. In all of these funds there are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage. None of these funds have acquisition costs; therefore, no cost is amortized for the period. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims including the effects of inflation and other societal/economic factors. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at amortized cost. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. State Compensation Mutual Insurance (New Fund) - Liability coverage to employers for injured employees that are insured under the Workers' Compensation and Occupational Disease Acts of Montana and workers' compensation claims occurring on or after July 1, 1990, are reported in the State Compensation Mutual Insurance Fund (State Fund-New). The State Fund-New must insure any employer who desires coverage. At fiscal year-end, approximately 26,700 employers were insured with the State Fund-New. Montana state governmental agencies must obtain their workers' compensation coverage through the State Fund-New. Anticipated investment income is considered for computing a premium deficiency and employers must pay premiums to the State Fund within specified timeframes.

An actuarial study prepared by Tillinghast, a Towers Perrin company, as of June 30, 1992, has estimated liabilities and the ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Because actual claim costs depend on such complex factors as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and

statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. At June 30, 1992, \$291,401,535 of unpaid claims and claim adjustment expenses are presented at their net present value of \$211,994,569. These claims are discounted at an annual rate of 7% (See Notes 15 and 17).

The State Fund uses reinsurance agreements to reduce its exposure to large losses. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer. The State Fund did not deduct any claim liabilities related to potential reinsurance recoverable. When the State Fund purchases annuity contracts, the claim is settled in full and on a final basis; all liability of the State Fund-New is terminated.

Statute requires the State Fund-New set premiums at least annually at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. A district court decision in response to a lawsuit filed on June 21, 1991, by the Montana Health Care Association, Discovery Care Center and Valley Nursing, Inc., upheld the State Compensation Mutual Insurance fund's fiscal year 1992 premium rate increase.

**B. State Compensation Mutual Insurance (Old Fund)** - The liability and payment of workers' compensation claims for incidents occurring before July 1, 1990, are reported in the State Compensation Mutual Insurance Fund (State Fund-Old). This Fund is prohibited by statute from paying dividends until its unfunded liability has been eliminated. There is no premium income; however, funding for claim payments is provided by a 0.28 % payroll tax on all Montana employers. Payroll tax bonds in the amount of \$142,095,000 were issued July 15, 1991, to provide the necessary operating cash to pay the liabilities of pre-July 1, 1990, accidents (See Note 13.E(3)). This source of funding is expected to be exhausted in January 1993. The employer payroll tax will provide funding for bond payments. An actuarial study prepared by Tillinghast, a Towers Perrin company, as of June 30, 1992, was used to estimate liabilities and the ultimate cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 1992, \$406,718,552 of unpaid claims and claim adjustment expenses are presented at face value. This fund generates little interest earnings, does not discount estimated claims liabilities, and does not compute a premium deficiency (See Notes 15 and 17).

A class action suit was filed before the Workers' Compensation Court in Murer, et al. v. Montana State Compensation Mutual Insurance Fund, et al. which attempts to have the Court rule that a freeze on workers' compensation benefits in place in fiscal years 1988 through 1991 should no longer apply once the date of the freeze expired. The State Fund's position is that the law in existence at the time of the injury applies for the life of the claim. The case was rejected by the Workers' Compensation Court as a class action. The decision has been appealed to the Montana Supreme Court. It is reasonably possible the State Fund will incur an unfavorable outcome in this matter. The amount of loss at this time is estimated to be approximately \$11,000,000. Only a portion of this amount impacts the New Fund.

**C. Hail Insurance** - Any producer engaged in growing crops subject to destruction or damage by hail may participate in the hail insurance program. Approximately 2,600 producers participated in this program in 1991 and 1992. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs and claims paid for hail damage. Depending upon the actuarial soundness of the reserve fund and the damage in a season, producers may receive a refund. Anticipated investment income is considered in computing a premium deficiency of which there is none.

A claim must be submitted to the State Board of Hail Insurance within fourteen days of a loss occurrence. It must be indicated whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If bean, peas or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt and no later than September 30. The insurance only covers loss or damage to growing grain which exceeds 5% destruction by hail.

The fund recorded a liability of \$3,691 based on claims submitted for losses through June 30, 1992. Any crop insurance liability is paid to producers within one year of occurrence; therefore, liabilities are not discounted. The fund is protected through a reserve fund balance and has no excess insurance, reinsurance, or annuity contracts.

**D. Uninsured Employers'** - This fund provides benefits to claimants injured while working for uninsured employers and is funded by penalties collected from employers without workers' compensation insurance. Section 39-71-503(2) of the Montana Code Annotated prohibits the fund from maintaining surpluses and reserves. Claims are paid on a monthly, first-in, first-out basis with wage loss benefits paid first, and medical benefits paid next, but only if sufficient funds are available. There is no premium deficiency and/or limitations on revenue collected or benefits that can be paid. Claims that are denied for payment because of insufficient cash may not be resubmitted; therefore, there are no incurred but not reported claims liability. Also, there are no annuities purchased nor excess insurance or reinsurance.

**E. Subsequent Injury** - This fund provides benefits to workers certified as vocationally handicapped who are injured on the job and entitled to benefits under the Workers' Compensation or Occupational Disease Act at the time of injury. The liability of the insurer for payment of compensation benefits is limited to 104 weeks of benefits actually paid. This fund will reimburse the insurer for all benefits paid after this 104 week time period. In Montana, there are 1,471 individuals certified as vocationally handicapped.

Workers' compensation insurance premium experience modification factors are influenced by the 2 year limitation and employers may experience an insurance premium reduction. Therefore, this fund provides employers with a potential incentive for hiring the certified vocationally handicapped.

This fund makes no provision for insured events of the current year. All Montana insurers are annually assessed an amount of up to 5% of each insurer's compensation payments for the previous fiscal year. An estimated liability is recorded based on a projected cost (case-by-case) analysis of each injured, certified, vocationally handicapped worker. As of June 30, 1992 the amount of this liability is estimated to be \$1,222,000.

**F. Changes in Claims Liabilities For the Past Two Years** - As indicated above, these funds establish liabilities for both reported and unreported insured events including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	STATE COMPENSATION MUTUAL INSURANCE (NEW FUND)		STATE COMPENSATION MUTUAL INSURANCE (OLD FUND)		HAIL INSURANCE	
	1992	1991	1992	1991	1992	1991
Unpaid claims and claim adjustment expenses at beginning of year	\$119,619	\$ -	\$433,454	\$294,464	\$1,623	\$ 770
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current year	187,976	137,237	-	-	1,604	4,545
Increases in provision for insured events of prior years	34,259	-	43,260	241,982	(483)	-
Total incurred claims and claim adjustment expenses	222,235	137,237	43,260	241,982	1,121	4,545
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current year	(21,478)	(17,618)	-	-	(1,600)	(2,922)
Claims and claim adjustment expenses attributable to insured events of prior years	(28,974)	-	(69,995)	(102,992)	(1,140)	(770)
Total payment	(50,452)	(17,618)	(69,995)	(102,992)	(2,740)	(3,692)
Total unpaid claims and claim adjustment expenses at end of the year	\$291,402	\$119,619	\$406,719	\$433,454	\$ 4	\$1,623
	UNINSURED EMPLOYERS'		SUBSEQUENT INJURY			
	1992	1991	1992	1991		
Unpaid claims and claim adjustment expenses at beginning of year	\$ -	\$ -	\$ 633	\$ 966		
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current year			191	182	-	-
Increases in provision for insured events of prior years			274	130	1,090	98
Total incurred claims and claim adjustment expenses			465	312	1,090	98
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current year			(191)	(182)	-	-
Claims and claim adjustment expenses attributable to insured events of prior years			( 274)	(130)	(501)	(431)
Total payment			( 465)	(312)	(501)	(431)
Total unpaid claims and claim adjust. exp. at end of the year	\$ -	\$ -	\$ 1,222	\$ 633		

## G. Risk Management Trend Information

The following table only presents risk management trend information for the State Compensation Mutual Insurance (New Fund). Only the State Fund-New has a three to five year development cycle as was contemplated by GASB Statement 10. The State Compensation Mutual Insurance (Old Fund) does not charge a premium for its services; its funding source is the employer payroll tax. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no three to five year development cycle. State statute limits the payment of claims and the collection of premiums (and penalties) for the Subsequent Injury and Uninsured Employers' Fund from any developmental cycle.

The table below illustrates how the earned revenues (net of reinsurance) of the State Fund-New and its investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the fund as of the end of the fiscal year (in thousands). Line 3 shows the fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 5 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Line 6 compares the latest reestimated incurred claims amount to the amount originally established (Line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be expanded and revised as data for successive policy years develops.

	STATE COMPENSATION MUTUAL INSURANCE (NEW FUND)	
	1991	1992
1. Net earned required contribution and investment revenues	\$ 108,465	\$129,500
2. Unallocated expenses including overhead	7,360	6,920
3. Estimated incurred claims and expenses, end of policy year	137,237	183,425
4. Paid (cumulative) as of: End of policy year One year later	17,618 44,335	20,244
5. Reestimated incurred claims and expense: End of policy year One year later	137,237 166,980	183,425
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	29,743	

## 11. COMMITMENTS

A. Highway Construction - At June 30, 1992, the Department of Transportation had contractual commitments of approximately \$107.9 million for construction of various highway projects. Funding for these highway projects is to be provided from federal grants and matching special revenue funds.

B. Capital Construction - At June 30, 1992, the Department of Administration, Architecture & Engineering Division, had commitments of approximately \$15.1 million for capital projects construction. Funding for these projects is to be provided from special revenue funds, capital projects funds, proprietary funds and higher education funds.

C. Proprietary Fund Commitments - Fixed budgets are legally adopted in Enterprise and Internal Service Funds (excluding depreciation, compensated absences and bad debt expense). Current year appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unreserved retained earnings in the accompanying financial statements as follows (in thousands):

	AMOUNT
Enterprise Funds	
Housing Authority	\$ 25
State Compensation Mutual Insurance (New Fund)	105
Employees Group Benefits	48
Prison Ranch	12
Uninsured Employers	7
Prison Industries	3
Historical Society Publications	12
Local Government Audits	1
Subtotal-Enterprise Funds	\$ 213



<u>Internal Service Funds</u>	
Highway Equipment	\$ 12,504
ISD	202
Admin. Insurance	1
Motor Pool	2
Admin. Property & Supply	545
Publications & Graphics	86
Buildings & Grounds	162
Labor Central Services	46
Commerce Central Services	42
DHES Indirect Cost Pool	7
FWP Warehouse Inventory	8
Investment Division	1
Aircraft Operation	8
Personnel Training	2
Subtotal-Internal Service Funds	<u>\$ 13,616</u>
Total-Proprietary Funds	<u>\$ 13,829</u>

## 12. LEASES/INSTALLMENT PURCHASES

The State has entered into various capital and operating leases for land, buildings, equipment and computer software. Lease contracts are required by law to contain a clause indicating continuation of the lease is subject to funding by the Legislature. It is expected that in the normal course of operations most of these leases will be replaced by similar leases.

### A. Capital Leases/Installment Purchases

Changes in capitalized leases/installment purchases follow (in thousands):

	Balance July 1, 1991	Additions (Deductions)	Balance June 30, 1992
General Long-Term Obligations	<u>\$ 2,338</u>	<u>\$ 382(1)</u>	<u>\$ 2,720</u>
Proprietary Fund Types			
Enterprise Fund	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ 2</u>
Internal Service Fund	<u>5,796</u>	<u>(909)</u>	<u>4,887</u>
Total Proprietary	<u>\$ 5,798</u>	<u>\$ (909)</u>	<u>\$ 4,889</u>
Higher Education Funds	<u>\$ 2,552</u>	<u>\$1,228</u>	<u>\$ 3,780</u>
Total Capitalized Leases/ Installment Purchases	<u>\$ 10,688</u>	<u>\$ 701</u>	<u>\$ 11,389</u>

(1) This amount consists of \$1,285,000 as additions; \$448,000 of additions as adjustments; and \$1,351,000 as deductions.

Future minimum lease payments under capital leases/installment purchases are as follows (in thousands):

Fiscal Year Ending June 30	General Long-Term Obligations	Proprietary Fund Types		Higher Education Funds	Totals
		Enterprise	Internal Service		
1993	\$ 903	\$ 1	\$ 2,819	\$1,093	\$ 4,816
1994	871	1	1,272	1,070	3,214
1995	677	-	646	1,145	2,468
1996	569	-	429	949	1,947
1997	230	-	170	290	690
After 1997	-	-	57	22	79
Total minimum payments	\$ 3,250	\$ 2	\$ 5,393	\$4,569	\$ 13,214
Less: Interest	(530)	-	(506)	(789)	(1,825)
Present value of minimum payments	<u>\$ 2,720</u>	<u>\$ 2</u>	<u>\$ 4,887</u>	<u>\$3,780</u>	<u>\$ 11,389</u>

B. Operating Leases - Total rental payments for operating leases in fiscal year 1991 were \$4,382,968. Future rental payments for operating leases are as follows (in thousands):

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Amount</u>
1993	\$ 4,405
1994	2,598
1995	1,914
1996	1,401
1997	1,209
After 1997	<u>4,092</u>
Total future rental payments	<u>\$15,619</u>

### 13. STATE DEBT

A. General Information - The State has no constitutional limit on its power to issue obligations or incur debt other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. The Board of Examiners (consisting of the Governor, Secretary of State and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-Term Debt - The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. No notes may be issued to refund outstanding notes. The notes must be redeemed by the end of the fiscal year in which issued.

The Board of Investments (BOI) of the State of Montana is authorized to issue Municipal Finance Consolidation Act Bonds which may not aggregate more than \$50 million. The purpose of the bonds is to provide funds for the BOI to make loans to eligible local government units. The bonds are not in any way a debt or liability of the State of Montana. The bonds are limited obligations of the BOI payable solely from repayments of principal and interest on loans made by the BOI to participating local government units, investment income under the indenture and an irrevocable pledge by the BOI. The BOI has no taxing power. Bondholders may elect to have their bonds purchased by the Trustee on March 1 of each year until maturity. These issues are considered to be demand bonds and have been reclassified as short-term debt. In previous years these issues were included in the long-term debt section for Economic Development & Municipal Finance Consolidation Act Bonds. The amounts issued and outstanding at June 30, 1992 is as follows (in thousands):

<u>Series</u>	<u>Amount</u> <u>Issued</u>	<u>Balance</u> <u>June 30, 1992</u>
1987	\$6,500	\$1,920
1988	5,000	3,010
1991	5,000	4,945
1992	6,500	6,500

C. Long-Term Debt - The full faith, credit and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue bonds and mortgage bonds are secured by a pledge of resources from the facilities to which they relate and by certain other revenues, fees and assets of the State and the various colleges and universities. Long-term debt (excluding bonds/notes of Enterprise Funds discussed elsewhere in this footnote; Leases - Note 12; and Compensated Absences - Note 1) of the State at June 30, 1992, is as follows (in thousands):

<u>General Obligation Debt</u>	<u>Series</u>	<u>Amount</u> <u>Issued</u>	<u>Interest</u> <u>Range (%)</u>	<u>Principal Payments</u>		<u>Balance</u> <u>June 30, 1992</u>
				<u>FY 1993</u>	<u>In Year of</u> <u>Maturity (9)</u>	
Highway Bldg Complex	1976	\$ 7,400	5.0	\$ 505	\$ 600 (1996)	\$ 2,205
GO Refunding	1983A	58,160	8.875-9.5	8,100	590 (2010)	46,435
Long-Range Bldg Program	1983B	39,330	7.75-8.0	165	195 (1995)	540
Water Development Program (1)	1984A	900	8.4-8.90	150	150 (1996)	600
Long-Range Bldg Program	1985A	8,550	7.0-8.0	300	150 (2001)	2,000
Water Development Program (1)	1985B	1,000	7.0-7.6	125	175 (1996)	625
Renewable Resource Development (1)	1985C	1,100	7.0-7.6	150	200 (1996)	725
Water Development Program (1)	1985D	1,000	6.65-6.875	100	125 (1996)	475
Water Development Program (1)	1988	500	9.4	15	50 (2008)	465
Water Development Program (1)	1989B	500	8.55	10	50 (2010)	480
Long-Range Bldg Program	1989	3,540	6.25	705	795 (1995)	2,245
Water Development Program (1)	1991A	750	8.0-8.5	25	90 (2007)	750
Wastewater Treatment Works (2)	1991B	<u>2,595</u>	5.0-6.8	-	215 (2014)	<u>2,595</u>
Total General Obligation Debt		<u>\$125,325</u>		<u>\$10,350</u>		<u>\$ 60,140</u>

**Special Revenue Bonds**

Department of Highways (3)	1987	\$150,000	5.5-7.2	\$ -	\$16,660 (2006)	\$150,000
Water Dev. Program (4)	1985A	16,865	8.2-9.625	415	1,295 (2006)	10,765
Water Conservation (5)	-	535	3.463-5.0	12	3 (2016)	339
Water Dev. Program (4)	1987C	1,215	6.1-7.6	35	120 (2008)	1,100
Water Dev. Program (4)	1988A	1,720	6.75-7.3	50	160 (2009)	1,590
Water Dev. Program (4)	1989A	6,000	6.0-6.9	175	520 (2010)	5,680
Broadwater Power Project (4)(7)	1990A	3,800	9.5	240	505 (2002)	3,580
Water Development Program (4)	1990B	9,625	6.1-7.2	375	955 (2007)	9,270
Broadwater Power Project (4)(6)	1991A	<u>21,735</u>	6.4-6.875	-	2,135 (2018)	<u>21,735</u>

Total Special Revenue Bonds \$211,495 \$ 1,302 \$204,059

Middle Creek Dam Project (8) \$ 1,393 8.125 \$ - 71 (2019) \$ 1,400

**TOTAL GENERAL LONG-TERM OBLIGATIONS ACCOUNT GROUP** \$265,599

- (1) All Water Development Program Bonds and the Renewable Resource Development (1985C) Bonds are secured additionally by a pledge of and payable from certain coal severance taxes. Series 1985B, 1985C, 1988, 1989B and 1991A bonds are also secured by a pledge of loan repayments from loans made from the bond proceeds.
- (2) First payment of \$65,000 is due in 1994.
- (3) First payment of \$7,820,000 is due in 1994.
- (4) Issued by the Department of Natural Resources and Conservation (DNRC) and backed by a pledge of coal severance taxes.
- (5) Bonds were sold to Farmers Home Administration.
- (6) First payment of \$700,000 is due in 2003.
- (7) Bonds were sold to the Board of Investments.
- (8) U.S. Bureau of Reclamation loan to Montana Dept. of Natural Resources & Conservation. The outstanding balance includes \$7,598 of interest owed, with first payment due December 1993.
- (9) Year of Maturity refers to fiscal year.

Board of Regents Issues Higher Education Units	Series	Amount Issued	Interest Range (%)	Principal Payments		Balance June 30, 1992
				FY 1993	In Year of Maturity	
Pooled Equip. Financing (U of M & EMC)	1988A	\$ 4,110	6.15	\$ 1,398	\$1,398 (1993)	\$ 1,398
University of Montana (U of M)	1985A-B/1987A-B	21,784	6.0-8.9	1,225	1,660 (2008)	13,705
Montana State University (MSU)	1985B/1986A/1987A	43,690	6.5-8.65	795	7,345 (2010)	40,065
Montana College of Mineral Science & Technology (TECH)	1986A	6,745	6.5-7.625	155	1,070 (2010)	5,975
Eastern Montana College (EMC)	1985B/1988A	11,440	6.4-8.375	395	1,160 (2004)	9,590
Northern Montana College (NMC)	1986C/1987A	1,670	6.75-8.75	56	140 (2008)	1,311
Western Montana College (WMC)	1966B-D/1967A-B	<u>1,826</u>	3.0-5.25	<u>64</u>	16 (2007)	<u>643</u>
Total Higher Education Bonded Debt		<u>\$91,265</u>		<u>\$4,088</u>		<u>\$ 72,687</u>

**Higher Ed Nonbonded Debt**

EMC Mortgage Payable	\$ 170	10.5	\$ 17	\$ 17 (1993)	\$ 17
EMC Computer Site Note Payable	100	None	10	10 (1993)	10
EMC Library Note	250	6.42	84	90 (1994)	174
U of M Mortgage Payable	204	Variable	5	5 (2012)	193
U of M Mansfield Library Note	50	Variable	10	3 (1995)	24
Billings Vo-Tech Center Note	876	None	122	95 (1999)	748
Butte Vo-Tech Center Note	3,271	None	470	468 (1998)	2,803
Great Falls Vo-Tech Center Note	<u>316</u>	None	<u>105</u>	100 (1994)	<u>205</u>

Total Higher Education  
Nonbonded Debt \$ 5,237 \$ 823 \$ 4,174

**TOTAL HIGHER EDUCATION FUNDS** \$ 76,861



Debt service requirements (principal and interest) for long-term notes/bonds payable reported in the General Long-Term Obligations Account Group and Higher Education Funds are as follows (in thousands):

Fiscal Year Ending June 30	General Obligation Debt	Special Revenue Bonds	Higher Ed Revenue Bonds	Non- Bonded Debt	Total Requirements
1993	\$ 15,065	\$ 15,355	\$ 9,099	\$ 853	\$ 40,372
1994	15,864	22,977	7,928	808	47,577
1995	15,078	22,959	7,955	600	46,592
1996	13,643	22,940	7,725	591	44,899
1997	4,383	22,912	6,993	585	34,873
1998+	16,678	237,237	90,026	919	344,860
Totals	<u>\$ 80,711</u>	<u>\$344,380</u>	<u>\$129,726</u>	<u>\$ 4,356</u>	<u>\$ 559,173</u>

A summary of changes in long-term notes/bonds payable reported in the General Long-Term Obligations Account Group and Higher Education Funds for the fiscal year ending June 30, 1992, are as follows (in thousands):

	Balance July 1, 1991	Issued	Retired	Balance June 30, 1992
General Obligation Debt	\$ 70,050	\$ -	\$ 9,910	\$ 60,140
Special Revenue Bonds	205,733	23,128	23,402	205,459
Higher Ed Revenue Bonds	75,878	-	3,191	72,687
Higher Ed Nonbonded Debt	4,897	99	822	4,174
Totals	<u>\$ 356,558</u>	<u>\$ 23,227</u>	<u>\$ 37,325</u>	<u>\$ 342,460</u>

#### D. Refunded Bonds

On September 15, 1991, the Department of Natural Resources and Conservation issued \$21.735 million of Coal Severance Tax Bonds with an interest rate of 6.4% to 6.875%. The Department used the bond proceeds along with certain other funds available to advance refund the 1987 Series A Coal Severance Tax bonds which had an interest rate that varied weekly up to a 12% maximum rate allowed. The purpose of the refunding was to convert the interest rate on the bonds from a variable rate to a fixed interest rate.

In prior years, the State of Montana and the Board of Higher Education have issued general obligation and revenue refunding bonds, the proceeds of which were used to defease certain bond issues already outstanding. The proceeds of the refunding issues were placed in escrow accounts and invested in U.S. Treasury Obligations that, together with interest earned thereon, will be sufficient for future payment of principal and interest on the refunded issues. Accordingly, the debt is considered defeased for financial reporting purposes and the liability for the defeased bonds is not included in the financial statements. At June 30, 1992, the defeased bonds outstanding are as follows (in thousands):

General Obligation	\$ 29,460
Special Revenue	12,320
Higher Education Revenue	<u>55,163</u>
Total	<u>\$ 96,943</u>

#### E. Enterprise Funds

(1) Board of Housing (BOH) Revenue Bonds - The Montana Board of Housing (Housing Authority) is authorized to have an aggregate of \$975 million of housing mortgage bonds outstanding. The bonds are payable from mortgage loan repayments and investment earnings. All bonds issued to date are secured by federally insured or guaranteed mortgages. Statutory provisions exist wherein the Governor shall include in the executive budget submitted to the legislature the sum required to fund possible future deficiencies in required reserves; however, the legislature is not legally required to appropriate funding for such deficiencies. None of the outstanding bonds were issued under these provisions. Amounts reported in the Enterprise Fund for the Board of Housing were reproduced from their most recent audit report, which received an unqualified opinion dated August 21, 1992.

BOH Revenue Bonds (net) outstanding at June 30, 1992, were as follows (in thousands):

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1992
				FY 1993	In Year of Maturity	
Single Family I	1977A	\$ 21,470	4.5-8.0	\$ 590	\$ 1,850 (2008)	\$ 11,915
	1977B	35,060	4.15-8.0	990	3,160 (2008)	19,740
	1978A	13,600	5.05-8.0	430	1,115 (2009)	7,970
	1987A	20,000	5.3-8.625	365	1,240 (2018)	15,595
	1987B1-B2	20,000	6.25-9.0	220	1,050 (2019)	16,095
	1988A1-A2	19,999	5.4-8.5	275	3,580 (2019)	17,717
Subtotal		<u>\$130,129</u>		<u>\$ 2,870</u>		<u>\$89,032</u>
Single Family II	1979A	\$100,000	5.1-6.6	\$ 3,740	\$ 9,670 (2011)	\$ 62,665
	1980A	50,000	7.7-9.0	1,835	5,510 (2012)	31,210
	1982A	55,000	8.5-13.5	-	490 (2006)	7,160
	1983A	30,000	5.25-9.875	440	1,370 (2008)	13,820
	1983B	55,000	8.0-9.625	935	2,310 (2008)	30,240
	1983C	114,998	5.75-10.7	1,925	11,540 (2010)	56,032
	1984A	75,002	7.0-10.375	1,790	13,680 (2010)	44,550
	1985A	40,000	5.5-9.75	1,485	5,170 (2016)	26,504
	1985B	74,997	5.7-9.75	845	1,350 (2017)	28,089
Subtotal		<u>\$594,997</u>		<u>\$12,995</u>		<u>\$300,270</u>
Family III	1988B1-B2	25,000	6.2-8.9	220	1,545 (2020)	21,950
Single Family IV	1989A1-A2	25,000	7.0-9.2	225	1,940 (2020)	22,320
Single Family V	1990A1-A2	25,000	6.2-8.525	255	1,990 (2021)	24,160
Single Family VI	1990B1-B2	25,000	6.2-8.5	245	2,005 (2022)	24,570
Single Family VII	1990C1-C2	25,000	6.55-8.95	230	1,040 (2022)	24,825
Single Family VIII	1991A1-A2	25,000	5.2-8.275	130	1,935 (2022)	25,000
Single Family IX	1991B1-B2	25,000	5.5-8.4	125	975 (2023)	25,000
Single Family X	1992A1-A2	25,000	4.45-7.85	-	1,885 (2023)	25,000
Multifamily	1978A	\$ 4,865	6.125	\$ 50	\$ 645 (2019)	\$ 4,475
	1979A	8,660	5.4-6.875	85	905 (2021)	7,900
	1982A	1,945	12.75	5	220 (2023)	1,915
Subtotal		<u>\$ 15,470</u>		<u>\$ 140</u>		<u>\$ 14,290</u>
TOTAL		<u>\$940,596</u>		<u>\$17,435</u>		<u>\$596,417</u>
Less: Unamortized discounts/premiums (net)						<u>(310)</u>
TOTAL BOH BONDS PAYABLE (net)						<u>\$596,107</u>

Debt service requirements (principal & interest) for all BOH programs are as follows (in thousands):

1993	1994	1995	1996	1997	1998+	Total
\$61,046	\$60,989	\$61,011	\$61,201	\$60,634	\$1,079,232	<u>\$1,384,113</u>

(2) **Economic Development & Municipal Finance Consolidation Act Bonds (EDB)** - This program is directed by the nine-member Board of Investments, administered by the Department of Commerce. This program assists Montana's small businesses and local governments in obtaining long-term, fixed rate financing through private Montana lending institutions. Outstanding obligations are as follows (in thousands):

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1992
				FY 1993	In Year of Maturity	
Industrial Development Revenue Bonds (Pooled Loan) (1)	1984A-G	\$ 3,650	7.0-10.75	\$ 125	\$ 570 (2006)	\$ 3,075
Industrial Development Revenue Bonds (Pooled Loan) (1)	1985A-K	3,160	6.75-10.1	90	395 (2007)	2,795
Municipal Finance Consolidation Act Bonds (Irrigation Program) (3)	1988	4,976	6.6-7.75	145	205 (2013)	5,079

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1992
				FY 1993	In Year of Maturity	
Economic Development Bonds (Conservation Reserve Enhancement Program) (4)	1991A-B	\$ 7,380	10.0-11.2	\$ 775	\$ 395 (1999)	\$ 6,865
Municipal Finance Consolidation Act Bonds (Cash Anticipation Financing Program) (2)	1991	4,485	4.8	4,485	4,485 (1992)	4,485
Municipal Finance Consolidation Act Bonds (School District Pooled Refunding Program) (5)	1991	<u>6,234</u>	4.75-6.5	<u>670</u>	294 (2005)	<u>5,889</u>
<b>TOTAL BONDS PAYABLE</b>		<b>\$29,885</b>		<b>\$6,290</b>		<b>\$28,188</b>
Conservation Reserve Enhancement Program (CRP Notes) (4)		<u>2,338</u>	Variable	<u>2,338</u>	2,338 (1992)	<u>2,338</u>
<b>TOTAL BONDS/NOTES PAYABLE</b>		<b><u>\$32,223</u></b>		<b><u>\$8,628</u></b>		<b><u>\$30,526</u></b>

(1) These bonds, which may not aggregate more than \$75 million, are limited obligations of the Board of Investments payable solely from and secured by certain revenues and assets pledged pursuant to an Indenture of Trust. The bonds do not constitute a debt, liability or legal obligation of the State of Montana. However, if the balance in the "Capital Reserve Account A" falls below the indenture requirement, the Governor is required to request the Legislature to appropriate funds to restore the balance. The Legislature may, but is not legally obligated to, appropriate funds to correct any such deficiency. Principal payments (accrued interest to be added) are due each March 15. Series 1985 J (\$665,000) and Series 1985 B (\$775,000) were recalled on March 15 and December 15, 1988, respectively, without a gain or loss on extinguishment. Series 1985 L (\$325,000) were recalled in March 1992, without a gain or loss on extinguishment.

(2) These bonds, which may not aggregate more than \$50 million, were issued to provide funds to finance the purchase of tax and revenue anticipation notes (TRANS) of participating local government units. The bonds are not a debt or liability of the State of Montana. The bonds are limited obligations of the Board of Investments payable solely from repayments of principal and interest on local government TRANS, proceeds of a loan made by the Board of Investments and investment income.

(3) These bonds were issued to obtain funds for the Board of Investments, State of Montana, to purchase the Refunding Bonds of participating Irrigation Districts for the purpose of prepaying the U.S. Department of Interior, Bureau of Reclamation Projects Loans. The Irrigation Bonds and the interest thereon are payable solely from the collection of a special tax or assessment levied against real property in the Irrigation District. The Irrigation Bonds are not obligations of the State of Montana. However, the Irrigation Bonds are limited obligations of the Board of Investments due to an irrevocable pledge to lend money for deposit by the Trustee of the Irrigation District Pooled Loan Program Reserve Account E in an amount equal to any deficiencies therein on any payment date. The indenture does not permit the issuance of additional bonds.

(4) These bonds and notes were issued for the purpose of providing funds for the Board of Investments, State of Montana, to make loans to participating farmers and ranchers under its Conservation Reserve Enhancement Program. The Series 1991 Bonds are not in any way a debt or liability of the State of Montana, and neither the full faith and credit, nor the taxing power of the State of Montana is pledged to the payment of the principal or interest on the Series 1991 Bonds. However, the 1991 Bonds are limited obligations of the Board of Investments.

The Bond Anticipation Notes (BAN) issued will mature November 15, 1992. The BAN's maturity date will be extended to November 1993.

(5) These bonds were issued for the purpose of providing funds for the Board of Investments, State of Montana, to purchase the general obligation refunding bonds of 16 participating Montana school districts. The School District Refunding Bonds and the interest thereon are payable from real property taxes levied within the School District. These bonds are limited obligations of the Board of Investments.

Debt service requirements (principal & interest) for EDB are as follows (in thousands):

<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998+</u>	<u>Totals</u>
\$ 8,388	\$3,636	\$3,877	\$3,579	\$3,958	\$19,656	<u>\$43,094</u>

(2) Beginning Farm Loan Program - The Montana Department of Agriculture is authorized to request issuance of bonds by the Montana Board of Investments to finance projects for beginning farmers within the State if it appears, after a properly noticed public hearing, that the project is in the public interest of the State. These non-recourse, industrial development revenue bonds do not constitute a debt, liability, or obligation of the State of Montana. The amount issued and outstanding at June 30, 1992, is as follows:

- (1) Linger Project - issued \$112,200; outstanding \$40,821  
 (2) Jorgensen Project - issued \$81,600; outstanding \$60,809.

#### 14. INTERFUND TRANSACTIONS

During the course of normal operations, the State has numerous transactions between funds to finance operations, provide services, construct assets, service debt, etc. Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary and the cash balance in the account from which the appropriation was made is insufficient to pay the expenditure. To the extent that certain transactions between funds are not paid or received as of June 30, 1992, interfund receivables/payables (Due From/To Other Funds) are recorded. The schedule below presents all interfund balances outstanding at June 30, 1992, (in thousands) and interfund activity for the fiscal year then ended:

Funds	<u>Interfund Loans/Advances</u>		Due From Other Funds	Due To Other Funds	<u>Operating Transfers</u>		<u>Residual Equity Transfers</u>	
	<u>Receivable</u>	<u>Payable</u>			<u>In</u>	<u>Out</u>	<u>In</u>	<u>Out</u>
<u>General</u>	\$ 38,294	\$ 46,000	\$ 33,456	\$ 14,799	\$ 96,167	\$ 144,457	\$ 3,880	\$ -
<u>Special Revenue</u>								
State	71,099	30,491	21,223	20,387	90,317	60,543	-	8,037
Federal	-	32,651	4,425	11,134	436	6,491	-	2,111
<u>Debt Service</u>								
Coal Tax Bonds	-	21	5,287	4	23,353	19,181	258	-
Long-Range Bldg.	-	-	31	538	14,460	43,600	-	-
Water Development	-	-	1	-	74	321	6,731	-
Hwys Revenue Bonds	-	-	-	122	11,519	-	-	-
Transportation Bldg. Complex	-	-	2	47	494	-	-	-
Airport Bonds	-	-	1	-	-	61	-	-
Renewable Resource	-	-	-	-	-	29	-	-
<u>Capital Projects</u>								
Long-Range Bldg.	-	134	29	10	-	965	-	1
Capital Land Grant	-	-	48	-	881	881	-	-
<u>Enterprise</u>								
Housing Authority	-	-	289	315	-	-	-	-
State Comp. Mutual Ins. - New	-	-	2,108	753	-	2,384	-	-
State Comp. Mutual Ins. - Old	-	-	2,129	1,813	12,013	665	-	-
Economic Dev. Bonds	-	-	1	13	-	-	-	-
Employees' Grp. Ben.	-	-	20	36	-	-	-	-
Liquor Stores	-	-	3,214	6,476	-	16,856	-	-
Hail Insurance	-	-	14	15	-	33	-	-
State Lottery	-	-	11	1,367	-	5,579	-	-
MUS Group Insurance	26	-	141	9	-	-	-	-
Prison Ranch	-	-	100	99	-	-	-	-
Subsequent Injury	-	-	2	7	498	-	-	-
Uninsured Employers	-	-	11	14	-	-	-	-
Prison Industries	-	-	147	89	-	-	-	-
Historical Soc. Publications	-	-	-	10	51	-	-	-
W. Yellowstone Airport	-	-	-	3	7	-	-	-
Health Facilities Authority	-	-	2	4	-	-	-	-
Local Govt. Audits	-	175	-	57	91	-	-	-
Local Govt. Accting/Mgmt Systems	-	-	1	9	51	-	-	-
Swan River Vocational Training	-	-	1	-	-	-	-	-
<u>Internal Service</u>								
Highway Equipment	-	-	1,079	827	-	-	-	-
Communications	-	-	-	-	-	-	-	1,759
ISD	-	-	1,330	288	109	-	1,759*	292
Admin. Insurance	-	-	2	59	-	-	-	-
FWP Equipment	-	-	268	6	144	-	-	-
Motor Pool	-	62	154	9	-	-	-	-
Admin. Prop. & Supply	-	-	156	43	-	-	-	-
Publications & Graphics	-	-	227	39	-	-	-	47
Buildings & Grounds	-	-	68	77	55	-	-	-
Labor Central Services	-	-	9	113	-	-	-	-
Commerce Central Svcs.	15	-	111	84	-	-	-	-
DHES Indirect Cost Pool	-	-	266	60	-	-	-	-
FWP Warehouse Inventory	-	-	12	1	-	-	-	-
Mail & Messenger	-	200	63	15	-	-	-	-
Investment Division	-	-	124	84	-	-	-	-
Aircraft Operations	-	-	16	3	-	-	-	-

Funds	Interfund		Due From Other Funds	Due To Other Funds	Operating Transfers		Residual Equity Transfers	
	Loans/Advances Receivable	Payable			In	Out	In	Out
Justice Legal	-	-	46	23	-	-	-	-
OPI Central Services	-	-	50	39	435	-	-	-
Personnel Training	-	-	15	10	-	-	-	-
Records Management	-	40	25	10	-	-	48*	-
FWP Office Supply	-	-	9	4	-	-	-	-
DHES Legal	-	30	8	8	-	-	2*	-
Bad Debt	-	-	13	7	-	-	-	-
Admin. Legal	-	-	2	3	-	-	-	-
Local Govt Admin. Services	-	-	6	6	-	-	-	-
Natural Gas Procurement	-	-	-	1	-	-	-	-
<u>Expendable Trusts</u>								
L & I Comp Insurance	-	-	2	-	-	-	-	-
Unemployment Insurance	-	-	1	-	-	-	-	-
BN Geraldine Settlement	-	-	8	-	11	-	-	-
Rural Development	-	-	1	3	-	-	-	-
Historical Soc. Gen.	-	-	1	-	-	6	-	-
Woodville Highway Replacement	-	-	1	-	-	-	-	-
<u>Nonexpendable Trusts</u>								
Coal Tax Trust	-	-	748	23,316	17,240	47,868	-	310
Land Grants	-	-	350	7,739	-	43,164	-	-
Resource Indemnity	-	-	239	2,306	-	8,246	-	-
Parks Trust	-	-	154	73	-	1,380	-	6,294
Cultural, Aesthetic Trust	-	-	1	-	-	278	6,294	-
Real Property	-	-	9	328	-	792	-	-
Noxious Weed Management	-	-	9	1	-	-	-	-
BN Geraldine Settlement	-	-	1	1	-	11	-	-
Thomas Teakle Trust	-	-	-	-	-	3	-	-
<u>Pension Trusts</u>								
PERS	-	-	3,259	2,232	1,379	-	-	-
Teachers	-	-	1,237	43	1,433	-	-	-
Municipal Police	-	-	3,096	26	125	-	-	-
Firefighters Unified	-	-	3,504	24	115	-	-	-
Sheriffs	-	-	20	10	18	-	-	-
Highway Patrol	-	-	104	11	55	-	-	-
Judges	-	-	64	3	15	-	-	-
Game Wardens	-	-	34	4	18	-	-	-
Volunteer Firefighters	-	-	616	16	18	-	-	-
<u>Agency</u>								
Investment Pool	-	-	-	2,603	-	-	-	-
Employees Defer. Comp	-	-	67	-	-	-	-	-
Land Grant Interest	-	-	-	1	-	-	-	-
Performance Deposits	370	-	22	202	-	-	-	-
Central Payroll	-	-	17,383	124	-	-	-	-
Custodial Accounts	-	-	95	65	-	-	-	-
Unissued Warrants	-	-	15	1,492	-	-	-	-
Child Support Collections	-	-	11	970	-	-	-	-
Unclaimed Property	-	-	-	127	-	-	-	-
Intergovernmental	-	-	3	48	-	-	-	121**
A & E Advances	-	-	-	12	-	-	-	-
Uncleared Collections	-	-	10	6,366	-	-	-	-
Bad Debts	-	-	-	82	-	-	-	-
Stock Estray	-	-	28	1	-	-	-	-
<u>Higher Education</u>								
<u>Current Funds</u>								
General Operating	500	-	2,338	3,213	130,425	271	-	-
Designated	550	-	1,876	1,250	558	2,186	-	-
Auxiliary	-	-	419	1,989	837	7,013	-	-
Restricted	-	1,000	961	1,614	409	254	-	-
<u>Fiduciary</u>								
Student Loans	-	-	74	14	101	4	-	-
Endowments	-	-	-	2	1	2	-	-
Agency	-	50	3,434	2,118	-	-	-	-
<u>Plant</u>								
Unexpended	-	-	179	129	2,795	2,624	-	-
Renewal & Replacement	-	-	317	531	4,864	300	-	-
Retirement of Indebtedness	-	-	1,670	76	10,131	5,255	-	-
<b>Totals</b>	<b>\$110,854</b>	<b>\$110,854</b>	<b>\$119,114</b>	<b>\$119,114</b>	<b>\$421,703</b>	<b>\$421,703</b>	<b>\$ 18,972</b>	<b>\$ 18,972</b>

\* These residual equity transfers are reflected in Contributed Capital on the balance sheet.

\*\* These residual equity transfers are reflected in Due to Other Governments on the balance sheet.



(3) Payroll Tax Bonds (Workers' Compensation Program) - The Board of Investments of the State of Montana issued bonds for the purpose of funding the State's liability and cost in administering and paying claims for injuries resulting from accidents, prior to July 1, 1990, that are subject to the Montana Workers' Compensation Act and the Occupational Disease Act of Montana. The bonds are limited obligations of the State of Montana payable solely from and secured by certain payroll tax revenues collected by the Department of Revenue of the State of Montana.

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1992
				FY 1993	In Year of Maturity	
Payroll Tax Bonds						
Workers' Comp. Program	1991	\$142,095	4.9-6.875	\$1,940	\$10,590 (2020)	\$ 140,245
Less: Unamortized discount						(2,001)
<b>TOTAL BONDS PAYABLE</b>						<b><u>\$138,244</u></b>

Debt service requirements (principal & interest) are as follows (in thousands):

1993	1994	1995	1996	1997	1998+	Totals
\$11,320	\$11,319	\$11,318	\$11,321	\$11,318	\$260,358	<u>\$316,954</u>

F. Internal Service Fund - Certificates of Participation were issued by the State of Montana to provide the funds to purchase the States' telecommunications system as follows (in thousands):

Program	Series	Amount Issued	Interest Rate (%)	Principal Payments		Balance June 30, 1992
				FY 1993	In Year of Maturity	
Certificates of Participation	1988	\$6,280	4.75-5.90	\$1,465	\$625 (1994)	<u>\$2,090</u>

Debt service requirements (principal & interest) for the Certificates are as follows (in thousands):

1993	1994	Total
\$1,544	\$643	<u>\$2,187</u>

SCHEDULE OF PRINCIPAL REQUIREMENTS TO MATURITY - REFUNDED ISSUE

	1993	1994	Total
1983 Certificates of Participation	\$1,485	\$1,600	<u>\$3,085</u>

G. No-Commitment Debt - Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

(1) Montana Health Facility Authority (MHFA) - The MHFA is authorized to issue bonds and notes to finance projects for qualifying health institutions. The obligations issued by MHFA do not constitute a debt, liability, obligation or pledge of faith and credit of the State of Montana. At June 30, 1992 the MHFA had issued bonds and notes as follows (in thousands):

Project	Date of Issue	Amount Issued	Amount Outstanding
West Mont Home Health Services	June 1985	\$ 440	\$ 321
MHFA 1985 Pooled Loan Projects	December 1985	66,900	38,800
Bozeman Deaconess Foundation	July 1987	16,025	14,905
Community Provider Pooled Loans	October 1988	1,461	1,260
St. Peters Community Hospital	March 1989	9,365	8,705
Kalispell Regional Hospital	June 1990	14,475	14,125
Community Provider Pooled Loan	July 1990	5,858	5,696
Deaconess Medical Center	February 1991	18,000	18,000
Deaconess Medical Center	February 1991	18,000	18,000
Sisters of Providence	May 1991	56,535	56,535
Montana Deaconess Medical Center	June 1991	12,010	12,010
St. Peters Community Hospital	August 1991	7,000	6,815
Deaconess Medical Center	September 1991	32,650	32,650
Deaconess Medical Center	September 1991	7,000	7,000
Community Provider Pooled Loans	September 1991	3,944	3,944
<b>Total</b>		<b><u>\$269,663</u></b>	<b><u>\$238,766</u></b>

# 15. FUND DEFICITS

The following funds have a deficit fund balance/retained earnings found on the operating statements for June 30, 1992, (in thousands):

<u>Enterprise Fund Type</u>		<u>Amount</u>
State Comp. Mutual Ins. (New Fund)		(54,249)
State Comp. Mutual Ins. (Old Fund)		(499,085)
Local Government Audits		(83)
Department of Agriculture		(175)
<u>Internal Service Fund Type</u>		
Administration Insurance		(10,640)
Labor Central Services		(74)
Records Management		(43)
Administration - Legal		(12)
Local Government Admin		(19)
<u>Higher Education Fund Type</u>		
General Operating Subfund		(11,760)

The deficit retained earnings in the new and old State Compensation Mutual Insurance Funds in the Enterprise Fund and the Administration Insurance Fund in the Internal Service Fund are due to recording the expense for estimated claims including claims incurred but not reported. Refer to Notes 7 and 10 for further discussion of these funds. The deficit fund balance in the General Operating Subfund of the Higher Education Fund is due to the expense associated with the recording of compensated absences.

# 16. PROPRIETARY AND NONEXPENDABLE TRUST RESERVED FUND BALANCES

The Enterprise Fund retained earnings are reserved as follows (in thousands): Reserved for Debt Service \$67,326; Reserved for Employee Benefits \$8,980; and Reserved for Future Claims \$3,066.

The Coal Tax Trust reserved fund balance in the Nonexpendable Trust Fund consists of the following (in thousands): Permanent Coal Tax Trust \$450,558; Clean Coal Technology Fund \$30,000; and the School Bond Contingency Fund \$436. All other Nonexpendable Trust Fund balances are Reserved for Trust Principal.

# 17. SEGMENT INFORMATION

Selected financial information concerning all enterprise operations for the fiscal year ended June 30, 1992, is as follows (in thousands):

	<u>Housing Authority</u>	<u>St. Comp. Mutual Insurance (New Fund)</u>	<u>St. Comp. Mutual Insurance (Old Fund)</u>	<u>Economic Development Bonds</u>	<u>Employees Group Benefits</u>
Operating Revenues:					
Charges for Services	\$ 86	\$ 37	\$ -	\$ 323	\$ -
Investment Earnings	56,555	6,035	4,625	4,167	1,104
Contrib./Premiums	-	126,765	15	-	30,510
Taxes	-	-	-	-	-
Other Revenues	11	28	19	-	2
Operating Expenses:					
Depreciation	6	152	-	2	4
Amortization	10	-	-	-	-
Other	53,402	175,272	52,797	3,824	32,054
Operating Income (Loss)	3,234	(42,559)	(48,138)	664	(442)
Nonoperating Revenues					
(Expenses)	-	3	-	(2)	-
Oper. Trans. In (Out)	-	(2,384)	11,348	-	-
Net Income (Loss)	\$ 3,234	\$ (44,940)	\$ (36,790)	\$ 662	\$ (442)
Current Assets	\$ 9,502	\$ 130,455	\$ 10,965	\$ 6,325	\$ 6,452
Current Liabilities	(8,080)	(19,628)	(2,656)	(1,760)	(775)
Net Working Capital	\$ 1,422	\$ 110,827	\$ 8,309	\$ 4,565	\$ 5,677
Total Assets	\$673,961	\$ 189,818	\$ 48,534	\$ 50,193	\$ 15,757
Total Liabilities	\$604,569	\$ 232,056	\$ 547,619	\$ 48,675	\$ 6,777
Fund Equity	\$ 69,392	\$ (42,238)	\$ (499,085)	\$ 1,518	\$ 8,980
Long-Term Obligations	\$596,489	\$ 212,428	\$ 544,963	\$ 46,915	\$ 6,002
Cur. Yr. Capital Cont.	\$ -	\$ -	\$ -	\$ -	\$ -
Acquisition of Fixed Assets	\$ 50	\$ 154	\$ -	\$ -	\$ 1
Disposal of Fixed Assets	\$ 61	\$ 11	\$ -	\$ 23	\$ 1



	<u>Liquor Stores</u>	<u>Hail Insurance</u>	<u>State Lottery</u>	<u>Other* Enterprise</u>	<u>Total Enterprise</u>
Operating Revenues:					
Charges for Services	\$ 39,307	\$ -	\$ 27,926	\$ 5,620	\$ 73,299
Investment Earnings	-	194	95	491	73,266
Contrib./Premiums	-	2,061	-	13,470	172,821
Taxes	9,970	-	-	-	9,970
Other Revenues	47	-	-	1,935	2,042
Operating Expenses:					
Depreciation	76	2	117	336	695
Amortization	-	-	120	1	131
Other	33,877	1,367	22,199	21,289	396,081
Operating Income (Loss)	<u>15,371</u>	<u>886</u>	<u>5,585</u>	<u>(110)</u>	<u>(65,509)</u>
Nonoperating Revenues (Expenses)	(8)	-	(6)	(544)	(557)
Oper. Trans. In (Out)	(16,856)	(33)	(5,579)	698	(12,806)
Net Income (Loss)	<u>\$ (1,493)</u>	<u>\$ 853</u>	<u>\$ -</u>	<u>\$ 44</u>	<u>\$ (78,872)</u>
Current Assets	\$ 10,292	\$ 5,145	\$ 2,813	\$ 14,679	\$ 196,628
Current Liabilities	(8,976)	(1,394)	(2,917)	(867)	(47,053)
Net Working Capital	<u>\$ 1,316</u>	<u>\$ 3,751</u>	<u>\$ (104)</u>	<u>\$ 13,812</u>	<u>\$ 149,575</u>
Total Assets	\$ 11,703	\$ 5,151	\$ 3,044	\$ 19,654	\$1,017,815
Total Liabilities	\$ 9,274	\$ 1,410	\$ 3,043	\$ 5,719	\$1,459,142
Fund Equity	\$ 2,429	\$ 3,741	\$ 1	\$ 13,935	\$ (441,327)
Long-Term Obligations	\$ 298	\$ 16	\$ 126	\$ 4,852	\$1,412,089
Cur. Yr. Capital Cont.	\$ -	\$ -	\$ 1	\$ 6	\$ 7
Acquisition of Fixed Assets	\$ 78	\$ 1	\$ 24	\$ 393	\$ 701
Disposal of Fixed Assets	\$ 189	\$ -	\$ 81	\$ 78	\$ 444

1. The Housing Authority provides financing to qualified individuals to purchase residential housing by issuing bonds and carrying federally insured mortgage notes.
2. State Compensation Mutual Insurance (New Fund) provides benefit payments to workers injured after June 30, 1990, and accounts for employer contributions to the fund (See Notes 10 and 15).
3. State Compensation Mutual Insurance (Old Fund) provides benefit payments to workers injured prior to July 1, 1990 (See Notes 10 and 15).
4. The Economic Development Bond Program, administered by the Board of Investments, assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.
5. The Employees Group Benefits fund receives non-higher education unit employee withholdings and State contributions to the medical/dental self-insurance plan.
6. The Liquor Division of the Department of Revenue administers the State liquor operations (Liquor Stores). This fund accounts for liquor licensing activities and the sale and distribution of alcoholic beverages.
7. The Hail Insurance fund provides benefit payments to producers for crop acreage insured and accounts for premium assessments paid (See Note 10).
8. The State Lottery accounts for the operations of Montana's lottery which began in June 1988.

\* Other Enterprise is composed of the following funds (listed by administering agency):

Department of Agriculture  
Department of Agriculture

Fish, Wildlife and Parks  
FWP Snowgroomer Rental

Commissioner of Higher Ed.  
MUS Group Insurance

Department of Commerce  
Health Facilities Authority  
Local Government Audits  
Local Government Accounting  
and Management System

Montana Historical Society  
Historical Society Publications  
Department of Labor and Industry  
Subsequent Injury  
Uninsured Employers

Department of Corrections  
and Human Services  
Prison Ranch/Industries  
Women's Prison Industries  
Swan River Vocational Training

Department of Transportation  
West Yellowstone Airport

## 18. CONTRIBUTED CAPITAL

During fiscal year 1992, contributed capital changed by the following amounts (in thousands):

	ENTERPRISE FUND	INTERNAL SERVICE FUND
Begin. Bal. - July 1, 1991	\$ 14,987	\$ 2,862
Additions:		
Contrib. Capital Transfers-in	72	2,195
Deletions:		
Contrib. Capital Transfers-out	(76)	(132)
Ending Bal. - June 30, 1992	<u>\$ 14,983</u>	<u>\$ 4,925</u>

## 19. NONEXPENDABLE TRUST FUNDS' INVESTMENT INCOME

Investments are recorded in Nonexpendable Trust Funds using the full accrual basis of accounting. However, certain investment earnings attributable to these trusts are transferred elsewhere, as summarized below:

### Nonexpendable Trust Fund

### Reporting of Investment Earnings

Coal Tax Trust	Permanent Trust - Investment Earnings are distributed eighty-five percent to the General Fund and fifteen percent to the Public School Equalization Account in the Special Revenue Fund for fiscal year 1992. Clean Coal Tax Technology Trust - Investment earnings are distributed one hundred percent to General Fund.
Resource Indemnity	Resource Indemnity Investment earnings are distributed to the State Special Revenue Fund as follows: \$175,000 to the Environmental Contingency Account and \$50,000 to the Oil and Gas Damage Mitigation Account; the remaining investment earnings are distributed thirty percent to the Water Development Account, twelve percent to the Hazardous Waste/CERCLA Account, eight percent to the Renewable Resource Development Account, forty-six percent to the Reclamation and Development Grants Account, and four percent to the Environmental Quality Protection Account.
Parks Trust	Investment earnings are distributed to the State Special Revenue Fund for the acquisition and maintenance of parks by the Department of Fish, Wildlife and Parks.
Cultural Aesthetic Trust	Investment earnings are distributed to the Special Revenue Fund for cultural and aesthetic projects.
Land Grants	Ninety-four percent of investment earnings are transferred to the State Special Revenue Fund for the Office of Public Instruction to distribute to public schools; five percent is distributed to Higher Education Units (Current and Plant Funds); and one percent to the Department of Corrections & Human Services (General Fund and State Special Revenue Fund).
Real Property	Investment earnings are transferred to the State Special Revenue Fund for use by the Department of Fish, Wildlife and Parks to operate, maintain and develop its real property.
Thomas Teakle	Investment earnings are transferred to the State Special Revenue Fund for the Montana Historical Society's library acquisitions.
BN Geraldine Settlement	Investment earnings are transferred to the BN Settlement Expendable Trust Fund.

## 20. CONTINGENCIES

A. Litigation - The Crow Tribe filed suit in 1978 in federal district court seeking a declaration that Montana's coal severance and gross proceeds taxes are invalid as applied to the production of coal on the Crow Reservation and to the production of coal owned by the Tribe located in an off-reservation area, known as the "Crow ceded area" or "ceded strip", which lies roughly between the northern boundary of the reservation and the Yellowstone River. The amount of coal reserved falling within these categories has not been precisely determined. The taxes were alleged to be invalid under a variety of theories, of which the most prominent were that the state taxes conflict with federal policy by preventing the marketing of Crow coal and infringe on tribal sovereignty by depriving the Tribe of revenue needed to provide governmental services to the Crow people. In addition to a declaration that the taxes were invalid, the Tribe sought restitution for an amount equal to the severance and gross proceeds taxes paid by Westmoreland Resources, Inc. (Westmoreland), the only company currently mining coal claimed by the Tribe, together with the interest which accrued to the Coal Severance Tax Trust Fund on the amount of taxes paid.

In January 1983, the court ordered Westmoreland's future severance tax payments placed in escrow pending the outcome of the litigation. The State has received no severance tax payments from Westmoreland with respect to the coal mined on the ceded strip since the entry of this order. Prior to 1983, Westmoreland's annual severance tax payments varied from a low of \$5.407 million in 1976 to a high of \$7.078 million in 1979.

In June 1987, the Ninth Circuit Court of Appeals ruled that Montana is preempted from applying its severance and gross proceeds taxes on coal within the ceded strip held in trust for the Crow Tribe and on coal mined on the reservation. In August 1987, the State docketed an appeal of the decision to the United States Supreme Court, and in January 1988, that Court summarily affirmed the Court of Appeals' judgment.

As a result of the Supreme Court's affirmation, two principal issues remained in the case, one of which has been resolved. The first issue involved the appropriate disposition of the escrowed moneys, to which the State disclaimed any interest after the Supreme Court's decision. The district court concluded in September 1988 that these moneys should be paid to the United States in trust for the Tribe. The escrowed funds totaling \$30.1 million were distributed in May 1989 to the United States.

The second issue, which remains to be resolved, is the Tribe's claim for tax moneys paid by Westmoreland to the State but not escrowed and Westmoreland's claim for the same amounts. The State requested summary judgment with respect to the Tribe's claim for the nonescrowed moneys in November 1989, but its motion was denied in December 1990. The State thereafter sought certification from the District Court to appeal such denial pursuant to 28 USC Section 1292(b), and certification was granted by the Ninth Circuit in July 1991. However, in July 1992 the Court of Appeals determined that leave to appeal had been improvidently granted and dismissed the appeal. The State believes its defenses to the Tribe's restitution claim have merit, but the issues are novel and their resolution cannot be predicted with certainty.

The sum of all the nonescrowed coal severance tax moneys, exclusive of interest, is approximately \$48 million. If interest on such moneys is eventually awarded, their amount will increase substantially. In May 1989, the Tribe estimated the State's liability for interest at approximately \$110 million. If the State is eventually held liable for paying interest, the actual amount will depend upon the interest rate judged appropriate and the time period over which it is calculated. Consequently, in the event the State is held liable for paying the interest, the actual amount may vary significantly from the Tribe's last estimate.

In October 1991, a group of individuals and unincorporated associations filed suit in state district court to void budget cuts and reversion targets directed by the Governor's Executive order 28-91. They asked the district court to grant an injunction and to declare unconstitutional section 17-7-140, MCA, which provides the Governor with authority to reduce State agency budgets in response to a revenue shortfall. In November 1991, the district court issued an order, later reduced to a judgment, determining that section 17-7-140, MCA, contained an unconstitutional delegation of legislative authority to the Governor. The State appealed from the order, and that appeal is now pending before the Montana Supreme Court. The Montana Legislature, however, met in special session during July 1992 and substantially revised section 17-7-140, MCA. The appeal was dismissed as moot on August 13, 1992, and the litigation is concluded.

In May 1989, the U.S. Supreme Court decided in *Davis v. Michigan* that a state may not discriminate in the taxation of members of a federal as opposed to a state retirement system. Subsequently, *Sheehy et al., v. State of Montana, Department of Revenue* was filed in Montana District Court. The action seeks refunds of state income taxes paid on federal retirement benefits. In addition to the law suit, approximately 6,005 claims for a refund have been filed by federal retirees with the Montana Department of Revenue. In July 1990, the District Court denied the plaintiffs' requests for refunds. That decision was appealed to the Montana Supreme Court. On November 14, 1991, the Montana Supreme Court issued an opinion affirming the decision of the District Court. The taxpayers have petitioned the U. S. Supreme Court to grant certiorari. A decision on the petition is pending. The State estimates the total amount of taxes subject to refund is approximately \$20 million including interest.

In January 1992 the district court decided against the State in a reclassification liability issue in *Tefft et al. v. Department of Military Affairs*. Trial on the damage aspects of all the issues was completed on October 7, 1992. Damages in this type of case include liquidated damages of up to 100% of the actual damages plus attorney fees for the plaintiffs' attorney. It is reasonably possible the district court will award the plaintiffs at least \$130,000 in damages, approximately \$80,000 in liquidated damages, and approximately \$70,000 in attorney fees. A decision is expected from the court by the end of 1992.

## **B. Federal Contingencies:**

**Federal Financial Assistance** - The State receives federal financial assistance for specified purposes which are subject to review and audit in accordance with the Single Audit Act of 1984. Any disallowances resulting from these audits would become the liability of the State. There are no disallowances reported as of June 30, 1992.

**USDA Food Stamp Coupons/Commodities** - The State no longer has custodial responsibility for USDA food stamps coupons. The Department of Social and Rehabilitation Services has contracted with Sacramento Services Development Corporation (SSDC) in Sacramento, California to mail-issue 100% of all food stamps. SSDC is responsible for the storage of all food stamp coupons and the State has no liability. In fiscal year 1992, Montana issued \$50,531,306 in food stamp coupons.

In fiscal year 1992, the State distributed \$6,628,721 in commodities. The value at June 30, 1992, of commodities stored in the State's warehouse is \$2,013,879 for which the State is liable in the event of loss.

**Social Security** - The Social Security Administration (SSA) has assessed the State for the alleged failure to withhold and forward social security contributions for part-time employees for the years 1984-1986. The matter has been fully submitted for a final administrative decision. The amount at issue is estimated to be \$2,509,534 plus interest of approximately \$1.2 million which continues to accrue at a rate of 6% per annum. Of the principal amount, \$702,709 is estimated to be the initial liability of state government central payroll; a proportional amount of the interest figure provided would be the State's responsibility. The balance of the amount owing is the initial responsibility of various political subdivisions. The portion of that amount that the state might have to pay (because of the current nonexistence of some of those political subdivisions) should not be substantial, approximately \$5,000.

**Gain Contingencies** - Certain natural resource and corporation tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 1992, the following assessments (by fund type) were outstanding (in thousands):

<u>Taxes</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Nonexpendable Trust</u>
Corporation	\$19,516	\$ 9,118	\$ 3,359	\$ -
Coal Severance	85	182	5	278
Metal Mines	609	278	-	163
Resource Indemnity	-	-	-	(63)
Totals	<u>\$20,210</u>	<u>\$ 9,578</u>	<u>\$ 3,364</u>	<u>\$ 378</u>

Collectibility of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements.

## 21. SUBSEQUENT EVENTS

On July 15, 1992, the Montana Health Facility Authority (MHFA) issued \$4,645,000 in Hospital Facilities Revenue Bonds. The obligations issued by MHFA do not constitute a debt, liability, obligation or pledge of faith and credit of the State.

On September 23, 1992, the State issued \$135,600,000 in Tax and Revenue Anticipation Notes, Series 1992, due June 30, 1993. The proceeds of the Notes will provide cash to support expenditures from the general fund, pending the receipt of taxes and revenues, for the fiscal year ending June 30, 1993.

## **Agency Response**

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# DEPARTMENT OF ADMINISTRATION

## DIRECTOR'S OFFICE



STAN STEPHENS, GOVERNOR

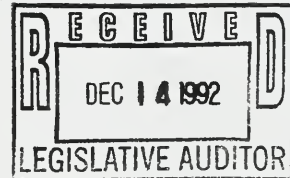
MITCHELL BUILDING

# STATE OF MONTANA

(406) 444-2032  
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PO BOX 200101  
HELENA, MONTANA 59620-0101

December 14, 1992



Mr. Scott A. Seacat  
Legislative Auditor  
Office of the Legislative Auditor  
State Capitol Building  
Helena, MT 59620

Dear Mr. Seacat:

We have reviewed your report containing the general purpose financial statements of the State of Montana for the fiscal year ended June 30, 1992, and your related audit opinion. We did not identify any items in the report that require our comment.

I thank you for the opportunity to review and comment on your report, and for the professional manner in which your staff conducted the audit. Your office has contributed greatly towards the successful issuance of a timely comprehensive annual financial report for the State of Montana.

Sincerely,

A handwritten signature in cursive script that reads "Bob Marks".

Bob Marks  
Director







